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Eradication of poverty and other development issues: human resources development

Human resources development for the twenty-first century

Report of the Secretary-General

Summary

Human resources development is fundamental to fulfilling the commitment of the 2030 Agenda for Sustainable Development to leave no one behind. The present report makes the case that approaches to human resources development must increasingly focus on enabling all individuals to effectively navigate the challenges and opportunities of the twenty-first century, including those arising from the next generation of technologies and scientific advances. It highlights the major global drivers of change in labour markets, the challenges associated with the future of work and their implications for human resources development. The report also explores the types of education and training that are needed to equip people for the future of work, in particular to match their skill sets with projected labour market trends. Thus, institutional adaptation will be required at the national level, especially within education and training systems, as well as social protection systems. The report outlines the role of the United Nations system in support of countries' efforts to design and implement human resource development strategies, as an essential tool for the achievement of the Sustainable Development Goals.

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I. Introduction

1. This is a period of considerable human potential. Despite serious obstacles to poverty eradication and sustainable development, people everywhere are benefitting from achievements in education, health and living standards that would have been unimaginable to previous generations. Advances in science, technology and innovation and new sources and access to data and information are expanding opportunities for prosperity while paving new pathways for preserving the planet. Leaving no one behind by such impressive progress is one of the defining challenges of our time. It is also a central promise of the 2030 Agenda for Sustainable Development: human resources development is fundamental to fulfilling this commitment.

2. The 2030 Agenda builds on and strengthens the work done by the United Nations and its partners on human resources development since the Organization's early years. In the 1960s, there was a growing awareness that investment in education and training was as important as financing for development.[1] During this period, the United Nations also put an international lens on the issue by bringing attention to skills shortages resulting from the migration of skilled individuals from developing to developed countries.

3. Originally, human resources development was narrowly defined in terms of labour supply and skills provision. The concept of human resources development, however, has evolved to encompass a wide range of elements necessary for building the full capacities and capabilities of people. This concept helped to drive the human development approach that emerged in the 1990s, underlining that people are both the agents and beneficiaries of development. As such, inclusive and sufficient human resources development is a fundamental precondition for poverty eradication and sustainable development, as well as the overall objective of development.[2]

4. Investments in basic education and training, as well as health and gender equality, are critical enablers for individuals to develop their full human potential and for societies to reap the associated gains. But, focusing on basic needs is not enough, since human capacities and capabilities cut across the economic, social and environmental dimensions. With the mainstreaming of sustainable development, the interlinkages between human resources development and issues such as social protection, energy and food security, agriculture and rural development, and international migration, among others, have been recognized.[3] While this has increased the complexity of human resources development as an all-encompassing concept, its broad scope provides new avenues for pursuing integrated approaches in the design of national development strategies and in international cooperation.

5. The United Nations promotes a comprehensive approach to human resources development with a view to enabling individuals to effectively navigate the challenges and opportunities of the twenty-first century. The impacts of the next generation of technologies and scientific advances have only started to be felt. Since globalization is intensifying and labour markets are increasingly connected, renewed attention should be paid to human resources development in all countries. The daunting nature of many of the biggest issues facing our planet is transboundary in nature. This compels us to harness the potential of our collective human capacities for solutions. Thus, inclusive human resources development is essential

[1] R. Jolly and others, *UN Contributions to Development Thinking and Practice* (Indiana University Press, 2004).

[2] See Economic and Social Council resolution 1989/120.

[3] See General Assembly resolution 66/217.

not only to ensure that every individual has the opportunity to obtain a livelihood, but also to increase humanity's chances for peace and prosperity.

6. While many countries have integrated human resources components into their development strategies, budgetary constraints pose challenges, in particular in the public education and health sectors. At the national and regional levels, investments in, and the development of, inclusive human resources development strategies will therefore be critical to leaving no one behind. At the global level, normative frameworks are needed to effectively address emerging issues so that they yield opportunities for all and do not harm the planet.

II. The future of work

7. The world of work is changing significantly everywhere, with effects on shifting demands for human resources and skills. For the workforce, there are negative and positive aspects to the profound changes under way in technology, globalization, employment and demography, while some of their effects are impossible to predict. Broadly, national Governments and other key actors, whether certain business sectors, organized labour or other groups, have had difficulty in keeping pace with the rate and direction of changes. Too few people benefit from the most promising advances, with the possibility that the excluded and vulnerable may fall even further behind.

8. However, the future of work is not a fait accompli there is the potential to shape its course. The 2030 Agenda promotes a vision of people-centred economies and inclusive societies, where poverty eradication and sustainable development are prioritized and decent work for all is achieved. In the national implementation of the 2030 Agenda, there is broad scope for investing in human resources development in sectors that are especially relevant for the transition to a more sustainable future. Recent analysis showed that sustainable business models could open economic opportunities worth up to $12 trillion and increase employment by up to 380 million jobs by 2030.[4]

9. There are major opportunities to be seized, such as employment gains from the creation of additional decent jobs through investments in the education, health and the social sectors. For example, the World Health Organization estimates that there is a potential need for an additional 18 million health workers if universal health coverage is to be achieved and sustained by 2030, primarily in low- and middle-income countries. Furthermore, the shift to green economies offers numerous growth and work opportunities in areas such as renewable energy and climate change adaptation and mitigation. Improvements in job quality and wages on a large scale could be generated by a shift to more productive processes and sustainable products and services. The increased accessibility of and capacity for livelihoods and public participation will help to promote social inclusion, especially of women, youth and other marginalized groups.

Current employment trends

10. Current employment trends paint a challenging picture as the result of decreasing employment in intensity of some sectors, wage stagnation and income inequality, as well as vulnerable employment in many developing regions. Global unemployment levels and rates are expected to remain high, at around 201 million

[4] Business and Sustainable Development Commission, *Better Business, Better World* (London, 2017). Available from http://report.businesscommission.org/uploads/BetterBiz-BetterWorld_170215_012417.pdf.

people unemployed. The global unemployment rate is predicted to remain steady in 2018, but the increase in the population of job seekers will continue to outpace job creation.

11. Labour market conditions are worsening in emerging economies. Structural unemployment poses problems in developed countries. In many developing countries, poor-quality employment and working poverty are widespread and chronic. [5] Workers in vulnerable employment account for 1.4 billion people worldwide, representing nearly four out of five workers in developing countries. Their prospects for decent work are expected to only marginally improve in the years ahead.

12. Job polarization is a significant trend, with rising employment among high and low-skilled workers that is increasingly linked to technological change within and between sectors. Evidence shows that the patterns of change in the skills composition of jobs differ widely across countries. Numerous are countries experiencing job polarization because of a loss of medium-skills-intensive jobs and an increase in the proportion of jobs at the high and low ends of the skills spectrum.

13. Wide disparities in labour markets among different demographic groups are common across countries, underlining the importance of human resources development strategies that prioritize inclusiveness. Gender disparities in labour markets are especially pronounced. Although the challenge is universal, the gender gap in some regions is vast, with women more than twice as likely to be unemployed as men. This will require tailored approaches to national circumstances, rooted in international commitments to gender equality and women's empowerment.

Technological change

14. Rapid advances in science, technology and innovation are transforming economies and societies, with subsequent effects on how people prepare for, access and obtain work. Past and present debates about the future of work tend to focus on technology and efforts to control and influence it, especially its "disruptive" potential. [6] Although work-related disruption is often associated with the negative effects of technological change, such as job dislocation, economic history has also shown its positive effects, such as the creation of new, better and safer, jobs. [7]

15. Previous periods of rapid technological change in the world of work have proven the complexity of disruption. The industrial revolution that spanned the eighteenth and nineteenth centuries was characterized by new innovations and advances in manufacturing, transport and other sectors in industrialized countries. This was accompanied by a shift of the population away from work in agriculture and handicrafts in predominantly rural areas to new opportunities in manufacturing and commerce in urban areas. The changes associated with the industrial revolution laid the groundwork in the twentieth century for increased productivity and global interconnectivity, with a growing emphasis on consumption and digital technology, especially in the richest countries.

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[5] International Labour Organization (ILO), *World Employment and Social Outlook: Trends 2017* (Geneva, International Labour Office, 2017). Available from www.ilo.org/global/research/global-reports/weso/2017/lang--en/index.htm.

[6] World Bank, *World Development Report: Jobs* (Washington, D.C., 2013). Available from http://siteresources.worldbank.org/EXTNWDR2013/Resources/8258024-1320950747192/8260293-1322665883147/WDR_2013_Report.pdf.

[7] Laurence Chandy, ed. *Disrupting Development with Digital Technologies. Brookings Blum Roundtable 2016 Post-Conference Report* (Washington, D.C., The Brookings Institute, 2017). Available from www.brookings.edu/wp-content/uploads/2016/07/Br_Aspen15_final.pdf.

16. Experience demonstrates that each new wave of technological breakthroughs tends to accelerate the next phase of development. In a recent study, it was estimated that in the course of the industrial revolution in the United Kingdom of Great Britain and Northern Ireland it took more than 150 years for the country to double its gross domestic product (GDP) per capita (from a starting population of around 9 million).[8] More recently, China doubled its gross domestic product per capita in just 12 years, (based on a population of 1 billion people) and India took 16 years to do the same (with around 900 million people). Technology played a key role in driving changes in the economies of those countries, with diverse policy and regulatory frameworks that helped to support widespread public education, nurture innovation and encourage growth and development.

17. The scale and pace of change presented by many of the current, most cutting-edge advances in the digital, physical and biological spheres has been referred to as a "fourth industrial revolution", which, it is argued, may be fundamentally different from preceding periods.[9] Breakthroughs in fields with promising, though distant futures, including artificial intelligence and machine learning, robotics, nanotechnology, three-dimensional printing, genetics and biotechnology, are now expanding at an exponential pace and amplifying one another in unprecedented ways.[10] Although the growth of opportunities in those fields has been considerable, there are still large gaps in the human resources required to support them.

18. The dynamic process of job destruction and creation involves significant changes and adjustments by Governments, workers, private sector actors and communities that can be difficult and costly. The growing disruption in certain sectors and occupations in many countries has resulted in the elimination of jobs, leading to economic hardship, inequality and vulnerability in many countries. Some experts expect persistent unemployment stemming from the disruptive effects of technological development,[11] or even more pessimistically, the prospect of a jobless future.[12]

19. The impact of such disruption on work and on the population of different countries will vary based on how such gains are distributed between economic and social groups. Over the past 200 years, technological change has generally been associated with wage stagnation and increased inequality, at least temporarily.[13] Developing countries face challenges and many are still making efforts to strengthen their education and social protection systems alongside a global backdrop in which the benefits of advances in science, technology and innovation are limited or inaccessible, with several notable exceptions, such as mobile technology.

20. Nevertheless, caution is needed when estimating job losses or jobs replacements as the result of technology, especially in developing countries where

[8] Richard Dobbs, James Manyika and Jonathan Woetzel, *No Ordinary Disruption* (McKinsey Global Institute, 2016).

[9] Klaus Schwab, *The Fourth Industrial Revolution: what it means, how to respond* (World Economic Forum, 2016). Available from www.weforum.org/agenda/2016/01/the-fourth-industrial-revolution-what-it-means-and-how-to-respond/.

[10] Irmgard Nübler, "New technologies: A jobless future or golden age of job creation?", Research Department Working Paper 13 (Geneva, International Labour Office, 2016). Available from www.ilo.org/wcmsp5/groups/public/---dgreports/---inst/documents/publication/wcms_544189.pdf.

[11] Erik Brynjolfsson and Andrew McAfee, *The Second Machine Age: Work Progress and Prosperity in a Time of Brilliant Technologies* (Norton, 2014).

[12] Martin Ford, *Rise of the Robots: Technology and the Threat of a Jobless Future* (Perseus, 2015).

[13] James Bessen, *Learning by Doing: The Real Connection between Innovation, Wages and Wealth* (Yale University Press, 2015).

there is a relatively little data and more research about such trends is needed. There is a difference between the probability that a job could be automated and the probability that it will be automated, and the gap between the two is greater in developing countries.[14] Another possibility is that disruptive technologies may not destroy entire occupations, but rather force the evolution jobs and skills needed within certain sectors.

21. While the direct impact of productivity-enhancing innovations will alter, and in some cases end, certain jobs, it could also trigger new economic activities and create jobs. This could result in net positive job creation in aggregate.[15] Entrepreneurs design and develop new goods and services, new business models and new jobs through which new occupations will emerge. Another factor to consider is the potential of technology-driven productivity to translate into higher wages, greater purchasing power and reduced prices, enhancing demand for domestic products, expanding output and compensating for any job loss. Labour and time-saving technology also lead to a higher demand for leisure, creating new jobs and industries.[15]

22. Those possibilities highlight new areas for future human resources development. Innovation and technological change have enhanced the complexity and level of skills required for existing jobs while also creating new jobs with greater skill levels.[15] Employment growth is expected to derive mostly from smaller, generally high skilled job families, that will not have the capacity to absorb job losses coming from other parts of the labour market. In this context, opportunities for significant reskilling and for improving skills are critical.

23. Proactive policies will be needed to address the changes introduced by technology. The ability to do so will prove particularly challenging in developing countries, owing to institutional constraints and gaps in resources and capacities. Outside of such economic hubs as China and India, most people in developing countries lack the adequate skills and the access to infrastructure , which makes strengthening education, skills development and "hard" and "soft" infrastructure the strategic areas for focusing national action and development cooperation.[16]

Globalization and the evolution of employment models

24. The organization of work and production is also changing as the result of globalization. Geographical fragmentation, the financialization of the economy and the expansion of global value and supply chains have all played a role in changing how firms develop their workforce. The outsourcing of labour-intensive tasks has resulted in the fragmentation of production processes across borders and the relocation of low-skilled jobs from developed countries to low-wage countries.[16] Employment has become internationalized as production systems have become

[14] ILO, *New Automation Technologies and Job Creation and Destruction Dynamics*. Employment Policy Brief (Geneva, International Labour Office, 2017). Available from www.ilo.org/employment/Whatwedo/Publications/WCMS_553682/lang--en/index.htm.

[15] Irmgard Nübler, "Technological changes and work in the future: Making technology work for all", Future of Work, Issue Note Series No. 1 (Geneva, International Labour Office, 2016). Available from www.ilo.org/global/topics/future-of-work/WCMS_534201/lang--en/index.htm.

[16] Carl Benedikt Frey and Ebrahim Rahbari, "Do labor-saving technologies spell the death of jobs in the developing world?" in *Disrupting Development with Digital Technologies. Brookings Blum Roundtable 2016 Post-Conference Report*, Laurence Chandy, ed. (Washington, D.C., The Brookings Institution, 2017). Available from www.brookings.edu/wp-content/uploads/2016/07/Br_Aspen15_final.pdf.

increasingly global and fragmented in scope. In 2015, one in five workers was estimated to work in global supply chains.[17]

25. Global supply chains have become the norm in many manufacturing processes, and they are increasingly penetrating the services sector. This results from the persistent search for productivity growth and the shift in firms' specialization in certain niches and tasks within specific countries. For example, most developed economies have focused on specializing, including in research and development, design and finance, among others, while developing countries specialize in more labour-intensive sectors, with some notable exceptions such as software development and business services.

26. An emerging concern for developing countries is the prospect of "reshoring". Reshoring occurs when the production of labour-intensive manufacturing shifts back to developed countries from developing countries, as the result of lower costs of production owing to automation and new technologies. The International Labour Organization predicts that this emerging trend will likely have the strongest negative impact on women's employment in developing countries, given their disproportionate concentration in industries that are likely to be affected.[18]

27. Another trend is the increased diffusion of work through networks of entities and individuals, rather than within a single firm. New technologies enable new forms of work organization and work arrangements. This reduces firms' reliance on core full-time employees for fixed functions and increases the involvement of employees in other countries or in non-standard forms of work, like external consultants and contractors.[19]

28. Information and communication technologies (ICTs), including the digital economy, have also led to new forms of production and employment, such as the "gig economy", crowdsourcing, telecommuting, co-working spaces, virtual teams, freelancing and online talent platforms. Those trends can blur the physical boundaries of the office or factory floor and redefine boundaries between professional and private life.[20] While they can result in more efficiency for business and increased flexibility for workers, they also generate new forms of precarious work and have profound consequences for policies and institutions related to social protection systems.

Demographic changes and migration

29. The future of work will be shaped, in part, by the global demographic situation, which is currently facing a situation of an ageing population in some countries and a rapidly expanding youth population in others. In countries where the working-age population is rising, there are opportunities to benefit from the demographic dividend to drive growth. In countries where ageing and slowing population growth are the reality, there are potential risks of economic stagnation

[17] ILO ,*World Employment and Social Outlook Trends 2015* (Geneva, International Labour Office, 2017). Available from http://www.ilo.org/global/research/global-reports/weso/2015/WCMS_337069/lang--en/index.htm.

[18] International Labour Organization, *New Automation Technologies and Job Creation and Destruction Dynamics*.

[19] Christiane Kuptsh and others, "The Future of Labour Supply: Demographics, migration, unpaid work". Future of Work, Issue Note Series No. 2 (Geneva, International Labour Office, 2016). Available from www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_534204.pdf.

[20] Valerio De Stefano, "The rise of the 'just-in-time workforce': On-demand work, crowdwork and labour protection in the 'gig economy'", Conditions of Work and Employment, Series No. 71 (Geneva, International Labour Office, 2016). Available from www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/publication/wcms_443267.pdf.

and critical resource and service gaps. The relationship between population age structure and economic outcomes demonstrates that these trends are not necessarily deterministic, but rather mediated by the policy choices made within countries.[21]

30. Between now and 2030 the world economy needs to create over 600 million new jobs.[19] The working-age population of many developing countries will continue to grow and there are not enough jobs for them. Even when the private sector is growing rapidly, the share of the labour force that can be absorbed does not always keep pace with population growth. This partly explains the large share of the informal labour force in developing countries.

31. Unemployment disproportionately impacts youth. In 2015, 43 per cent of the global youth labour force was either unemployed or living in poverty despite having a job, owing to a lack of decent work. This limited access to the world of work for today's youth is unsustainable, and jeopardizes the achievement of the 2030 Agenda. There is a need for broader and integrated strategies that can boost human resources development through expanded opportunities for youth.

32. Concurrently, people are living longer, healthier lives and having fewer children, resulting in ageing populations in many countries. In Europe, 25 per cent of the population is aged 60 years or over, and this percentage is projected to reach 35 per cent by 2050.[22] Ageing is an emerging concern even in countries with populations that are growing fast and in countries at the beginning of a demographic transition. It will take only one generation until almost all societies start ageing.[19] This presents challenges to social protection systems and a demand for certain types of workers.

33. Many demographic shifts amplify the geographic mismatch of jobs. Between 2010 and 2030, 60 per cent of the increase in the workforce will come from Africa and Southern Asia where school attainment is lagging. Highly educated regions will see a decline in working-age adults as their population ages. In sub-Saharan Africa and South Asia, demographic changes, and unequal access to education, are causing a surplus of low-skilled workers and a shortage of medium-skilled workers.

34. Migration is likely to intensify as demographic transitions continue, and as a lack of decent work opportunities remains widespread in developing countries. In 2015, 244 million people were classified as international migrants, an increase of 41 per cent since 2000.[19] Between 2009 and 2016, the share of the working-age population willing to migrate abroad permanently increased in almost every region of the world.[5] Although reasons for migration are complex and varied, improved access to better jobs and livelihoods is among the principal factors. However, international migration at or around current levels will not compensate for the ageing population and low fertility levels.[22]

III. The future of education and training

35. Education, training and skills development are the core of human resources development and will need to be adapted to current and anticipated changes in the world of work. Broadly, this will require ensuring that education and training systems continue to improve, including through raising the quality and relevance of

[21] Andrew Mason and others, "Support Ratios and Demographic Dividends: Estimates for the World", Technical Paper 2017/1, Population Division, (New York, Department of Economic and Social Affairs, 2017). Available from www.un.org/en/development/desa/population/publications/pdf/technical/TP2017-1.pdf.

[22] Department of Economic and Social Affairs, *World Population Prospects 2017*. Available from https://esa.un.org/unpd/wpp/.

programmes and institutions for learning. Much work lies ahead given the trends that characterize the future of work.

36. Currently, global literacy is higher than ever, and considerable gains in education enrolment have been made over the past 15 years. Worldwide, adjusted net enrolment rates were 91 per cent for primary education, 84 per cent for lower secondary education and 63 per cent for upper secondary education in 2014.[23] Enrolment in higher education has also grown steadily, with the number of students in higher education institutions doubling from 100 million to 207 million between 2000 and 2014.[24]

37. Approximately 358 million youth worldwide are neither in employment nor in education and training, and young women are particularly affected in most regions, with the most severe gender gaps in Northern Africa and Western Asia. Large education gaps are also found in protracted crises and emergency situations; an estimated 25 million children of primary and secondary school are out of school in conflict zones. Half of refugee children of primary school-age and three quarters of refugees of secondary school-age are not in school.[25]

38. The quality of education remains a challenge around the world. Overall, children stay in school longer, but many do not acquire basic literacy and numerical skills. Recent learning assessment studies show that in 9 of 24 sub-Saharan countries and 6 of 15 Latin American countries with data, fewer than half of the students at the end of primary education had attained minimum proficiency levels in mathematics. In 6 of 24 sub-Saharan countries with data, fewer than half of the students who finished their primary schooling had attained minimum proficiency levels in reading.[26] Recruitment and increased training of teachers in pre-primary, primary and secondary education, in particular in sub-Saharan Africa, is needed to reverse this trend.

39. Education results are also distributed unevenly within countries. In all countries with data, children from the richest 20 per cent of households showed greater proficiency in reading than children from the poorest 20 per cent of households. Remoteness is often a barrier to children's access to education in rural or remote areas, including small islands. In most countries with data, urban children scored higher in reading than rural children.[26] In rural areas teacher quality is lower, pupil-to-teacher ratios are higher, and teacher retention and teacher absenteeism are major concerns.[27]

40. The lack of basic skills is perpetuated during adolescence and hampers the transition of youth into the labour market. In low-income countries, 31 per cent of youth have no educational qualifications at all, compared with 6 per cent in lower middle-income countries and 2 per cent in upper middle-income countries.[28] An insufficient supply of tertiary graduates is well documented even in high-income countries, as evidenced by the rising "college premium" in wages and growing inequality. By 2020 the world could lack 40 million workers with tertiary degrees,

[23] See E/2017/66.

[24] United Nations Educational, Scientific and Cultural Organization (UNESCO), "Six ways to ensure higher education leaves no one behind", *Policy Paper 30*, (Paris, 2017). Available from http://unesdoc.unesco.org/images/0024/002478/247862E.pdf.

[25] UNESCO, *Global Education Monitoring Report* (Paris, 2016). Available from http://en.unesco.org/gem-report/.

[26] See E/2017/66.

[27] Centre for International Teacher Education, "Rural teachers in Africa: A report for the International Labour Organization". Working Paper No. 312 (Geneva, International Labour Office, 2017).

[28] International Labour Organization, *Global Employment Trends for Youth 2015: Scaling up investments in decent jobs for youth* (Geneva, International Labour Office, 2015).

relative to demand, and have an oversupply of up to 95 million workers with a low and medium-level education.[29]

41. As a high degree of technical knowledge is no longer a guarantee for employment and working poverty is a reality for many, a priority for human resources development is addressing the mismatch between a higher skilled workforce and the supply of decent jobs. Ensuring opportunities for all young people will require targeted human resources development policies, including strategies to facilitate the transition from the classroom into decent jobs. Furthermore, young women are finding the transition from school to work much harder and are more likely to end up in lower quality jobs or to be unemployed than their male counterparts. The long-term investments required to adjust education and training systems may seem daunting, yet, enabling youth to participate fully in the workforce and in public affairs will be critical in order to ensure inclusive and sustainable societies.

A. Skill sets for the twenty-first century

42. Nineteenth century industrialization laid the foundation of contemporary societies, including their educational systems. Today, the transformative and possibly disruptive potential of technological change implies a reassessment of education and training programmes, while, at the same time, it may provide innovative solutions to do so. Many countries have already begun exploring new ways to equip their citizens with the skills needed to turn qualifications into jobs in the global economy.

43. Foundational education, in particular reading fluency and numeracy, remains the starting point for human resources development and continues to be a priority in many countries. Without these foundational skills, learners and workers will face significant challenges in the changing and uncertain job market of the future. However, as ICTs make expert knowledge accessible in an unprecedented manner, the emphasis on formal education is shifting from fact acquisition and memorization to analytical and critical thinking.

44. New jobs are more likely to be created in sectors that involve complex problem-solving or that are highly context-specific than in more scripted or routinized tasks, such as in production or manufacturing. Formal technical knowledge coupled with cognitive skills and behavioural competencies will therefore be increasingly important as these skills are less likely to be replaced by technology.

45. Going forward, education will need to focus more on life competencies that go beyond basic skills and can be transferred across disciplines. Public education systems in 113 countries have broadly defined education to include competencies preparing individuals to navigate the complex challenges of our time. These competencies include problem-solving, communication and collaboration skills, digital literacy and service learning, behavioural skills such as perseverance and social intelligence and personality traits such as imagination and creativity.[30] The targets of Sustainable Development Goal 4 reflect a similarly holistic approach,

[29] Richard Dobbs and others, "The world at work: Jobs, pay and skills for 3.5 billion people" (McKinsey Global Institute, 2012). Available from http://www.mckinsey.com/global-themes/employment-and-growth/the-world-at-work.

[30] Esther Care and others, "Skills for a changing world: National perspectives and the global movement" (Washington, D.C., The Brookings Institution, 2017). Available from www.brookings.edu/wp-content/uploads/2017/03/global-20170324-skills-for-a-changing-world.pdf.

focusing on relevant and effective learning outcomes, access to quality early childhood development, technical and vocational skills as well as education for sustainable lifestyles and global citizenship.[31]

Lifelong learning

46. Comprehensive approaches encompassing formal education and life competencies throughout the lifecycle will be critical to effective participation in a fast-changing world of work. There is growing recognition that countries need to invest in early childhood development to equip children with basic skills. "Learning and relearning" should be a lifelong process, offering continuous education opportunities that will help to leave no one behind and to ensure that everyone benefits from technological change.

47. A change of mind-set is required to perceive change and disruption as an opportunity to acquire new skills, rather than a threat. Therefore, lifelong learning will be critical and will require the provision of multiple and flexible learning pathways at all ages and educational levels. Learning "how to learn" and transferable, "soft" skills such as teamwork, leadership, management, client-orientation and mediation are increasingly valued. They are associated with the ability to reskill and to adapt to different work environments, thereby improving the chances of staying gainfully employed.

Technological literacy

48. "Soft skills" are also considered to be fundamental and complementary to the acquisition of more technological skills. Digital learning platforms have proven successful for learners at various stages of life, including gamified learning for children, online tertiary-level learning, self-paced adult up skilling and formal technology-enabled on-the-job training.[32] However, the 3.9 billion people worldwide who do not have access to the Internet, are excluded them from such opportunities.[33]

49. Technological literacy has become a main requirement to gain employment and in many societies, it constitutes an essential element for full participation fully in public life. Many young people use the Internet, yet the majority do not possess job-relevant digital skills. To foster basic technological literacy, and to spur innovation, some countries have set up comprehensive frameworks to incentivize children's interest in science and mathematics, as well as to promote the effective use of technology.

50. The use of computers and the Internet has been integrated into school curricula, facilitating the provision of learning content and providing additional channels for teachers and students to interact. Based on data from 65 developing countries, on average the percentage of schools with access to computers and the Internet for teaching purposes is above 60 per cent in both primary and secondary education.[34] However, in more than half of sub-Saharan countries for which data is available, less than 40 per cent have access.[34] In developed countries, the effective use of ICTs in classrooms was found to be hindered by two key factors, a shortage

[31] See General Assembly resolution 70/1.

[32] World Economic Forum, *Human Capital Report 2016* (2016). Available from http://reports.weforum.org/human-capital-report-2016/.

[33] International Telecommunication Union, *ICT Facts and Figures 2016*. Available from www.itu.int/en/ITU-D/Statistics/Documents/facts/ICTFactsFigures2016.pdf.

[34] See E/2017/66.

in materials and the lack of adequate teacher training. Only 37 per cent of school teachers recently reported frequently using practices involving ICTs.[35]

51. In many countries, customized mobile phone applications are used to promote education and learning. The digital divide, however, still excludes many from the interconnected world of work and often goes together with the "electricity divide". Separating those with the competencies and skills to benefit from computer use from those without creates a "second digital divide"[36] and risks exacerbating inequalities. Closing the digital gap is therefore critical for the future of education as well as the future of work.

Intercultural skills and education and training for sustainability

52. In the interconnected and mobile world of work, intercultural skills, including language skills and respect for diversity, are considered critical to help learners become responsible global citizens. Tacit knowledge of diverse social and cultural contexts enable more effective teaching and mentoring, negotiation and coordination. Enhanced collaboration across disciplines is also important in order to grasp and address complex, multidimensional challenges. Expert knowledge will need to be complemented by a thorough understanding of the interlinkages between disciplines.

53. Education for sustainable development at all levels builds awareness of the related challenges encompassing the economic, social and environmental dimensions. Education for sustainable development has been recognized as a crucial element of quality education, seeking to empower everyone to contribute to sustainable development and, at the same time, strengthening education in all agendas and programmes that promote sustainable development.

54. "Green skills" have emerged as a response to global environmental concerns and they will need to be provided by education and training systems in preparation for the transition towards an inclusive economy with sustainable models of production and consumption. Initiatives on "greening" vocational training[37] are targeted at educating and training individuals to be part of a "green" workforce, for example, through the acquisition of diagnostic skills to calculate carbon footprint or through training on energy efficiency as supplements to existing skills.

B. Inclusive human resources development

55. New ICT tools and other technological innovations have the potential to democratize learning opportunities in the long term and to accelerate human resources development. An equitable expansion of education is likely to reduce inequality, lifting the poorest out of poverty. In the short term, however, advances in technology risk disproportionally benefiting those who can build on an advanced level of education and have access to a networked infrastructure. Continued investments in improving the quality of basic skills development and mending the digital divide therefore remain important enablers for inclusive human resources development strategies.

[35] Organization for Economic Cooperation and Development (OECD), "Skills for a Digital World: Background Report for the 2016 Ministerial Meeting on the Digital Economy", OECD Digital Economy Papers No. 250 (2016).

[36] World Bank, *World Development Report 2016: Digital Dividends* (Washington, D.C., 2016).

[37] UNESCO, *Greening Technical and Vocational Education and Training. A practical guide for institutions* (Paris and Bonn, UNESCO, 2017). Available from www.unevoc.unesco.org/go.php?q=page_greening_tvet.

Democratizing learning opportunities

56. In low-income countries, technology may improve access to education for children in remote areas. While Governments bear the primary responsibility for providing their citizens with quality foundational education, many of these innovative solutions have been initiated by philanthropic and civil society organizations and communities to complement governmental efforts where progress is slow.

57. Philanthropic initiatives in the education sector have also multiplied in industrialized countries, often supporting local school districts. Some colleges and initiatives offer free or low-fee education programmes in disadvantaged communities. Private capital is thus increasingly being invested in an area that traditionally has been considered to be within the purview of Governments.

58. In some contexts, however, the privatization and commercialization of quality basic education has led to discriminatory and inequitable education systems.[38] Similarly, many continuous learning programmes assume that people have the resources, flexible working hours and, above all, the motivation to retrain. Putting in place a regulatory framework that establishes minimum norms and standards for the creation and operation of educational services, as well as setting incentives for a continued commitment to learning, will be critical in this regard.

59. Many countries have a longstanding tradition of offering courses at no cost or low cost through community colleges and open universities. "Skills guarantees" have emerged in Australia and Europe, which ensure education and training entitlements for both youth and adults. The "SkillsFuture" initiative in Singapore provides an example of a Government-led initiative that makes continuous training accessible and affordable, in collaboration with the private sector. Introduced in January 2016, the initiative offers every citizen of Singapore over 25 years-old a credit to pay for training courses provided by certified providers. It also offers subsidies to Singapore citizens over 40 years of age to incentivize lifelong learning. Participating companies indicate the changes that they deem most important over the next few years, which are used to populate "industry transformation maps" used to guide citizens in their selection of courses.

60. In the higher education sector, specialized classes in the form of massive open online courses have spread widely and continue to improve. Likewise, professional networking platforms and online training businesses providing on-demand training have soared. These online resources appear to be well-suited to learners and workers needing to upgrade their knowledge and skills in a flexible way. Early experiences from universities offering online degrees have shown that these courses do not hamper on-campus enrolment but target people that seek to deepen their knowledge while remaining in their jobs. Massive open online courses appeal to employers looking to retrain their workforce and have the potential to address shortcomings of current workforce training arrangements. While it is still early to determine the long-term success or failure of these technologies,[39] they offer the opportunity to broaden access to university degrees and specialized training.

Investing in teachers

61. Technological progress requires that education systems to adjust, while providing innovative solutions to deliver learning content for the acquisition of skills for the twenty-first century. Synergies can be created between technology and education to open learning opportunities for all at relatively low or no cost.

[38] See Human Rights Council resolution 35/2.

[39] Organization for Economic Cooperation and Development (OECD), "Skills for a Digital World".

62. E-learning platforms, artificial intelligence and the data revolution have changed ways of teaching and can help improve the quality and responsiveness of teacher-student interactions. Educational and professional training programmes can be tailored to the level of knowledge of a given learner, and peer-to-peer learning fosters collaboration skills in addition to the acquisition of knowledge.[40] Innovative approaches to teaching include the use of simulation tools for preparation and training. Advances in technology may also open new avenues for increased accountability in monitoring learning outcomes.

63. Since education is context specific, teachers are the main resource in the classroom. As more dynamic labour markets emerge, skills systems face constraints due to shortages of teachers and trainers, managers, evaluators and instructional designers.[41] Investing in quality teacher training, including the capacity to teach digital skills, will therefore be critical. Teachers' education and specific policies to promote continuous training, with a strong emphasis on pedagogical knowledge and innovation, will yield long-term results.

IV. Institutional requirements: strategies for human resources development

Human resources development as a central component of national sustainable development strategies

64. The implementation of the 2030 Agenda for Sustainable Development will require policy integration at all levels, supported by effective institutions and adequately skilled human resources. Human resources development as part of the national sustainable development strategies should be informed by multi-stakeholder engagement to ensure policy integration and coordination. Although some countries have begun this process, too few have prioritized the emerging core skills needed in national sustainable development strategies.[42]

65. The growing interconnection between local and global development challenges are key features of the Sustainable Development Goals. Institutions supporting human resources development will have an important role to play to support countries' intrinsic capabilities to address the breadth of issues contained in the Sustainable Development Goals and to integrate the Goals and targets into policies and efforts to achieve them. While there is no "one size fits all" approach, there are elements that can be identified that contribute to effective human resources development as a pillar of integrated national sustainable development strategies.

66. Human resources development strategies will not succeed without a thorough understanding of the underlying patterns of inequality and a commitment to equality of opportunity. Ensuring broad access to training opportunities, in particular for those groups facing greater difficulties such as youth, lower-skilled workers, workers with disabilities and workers in rural communities, will be critical to build inclusive societies and move towards a truly sustainable future.

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[40] Kiira Kärkkäinen and Stéphan Vincent-Lancrin, "Sparking Innovation in STEM Education with Technology and Collaboration: A Case Study of the HP Catalyst Initiative", OECD Education Working Papers, No. 91, (OECD, 2013). Available from www.educationinnovations.org/research-and-evidence/sparking-innovation-stem-education-technology-and-collaboration-case-study-hp.

[41] Michael Axmann and others, "Vocational Teachers and Trainers in a Changing World: The Imperative of High Quality Teacher Training Systems", Employment Policy Department, Working Paper No. 177 (Geneva, International Labour Office, 2015).

[42] Paula Brewer and Paul Comyn, *Integrating core work skills into TVET systems: Six country case studies* (New Delhi, International Labour Office, 2015). Available from http://www.ilo.org/wcmsp5/groups/public/---ed_emp/---ifp_skills/documents/publication/wcms_470726.pdf.

Education and training systems reform

67. Successful human resources development strategies will require long-term investments in inclusive and equitable quality education and training, as well as in lifelong learning opportunities for all. Some countries continue to face difficulties in providing access to foundational skills, and in providing adequate school infrastructure, including sanitation and electricity. The quality of education systems is a challenge in many parts of the world, including in industrialized countries. Policies that recognize the interlinkages between skills development, gains in productivity, employment opportunities and the transition towards sustainable economies will therefore be critical.

68. Countries are already seizing the opportunities to reform their education systems in line with the demand for new skills. Yet, many are struggling to include new skills needed in an interconnected world of work in curricula, and consequently face challenges in effectively teaching them. Public education systems will therefore need to respond to a vast array of challenges, many of which shift at a quick pace. As there is no "one size fits all" approach, such reforms will require a thorough assessment of the national education system along with political and financial commitments.

69. Globally, early childhood education, which facilitates subsequent learning phases, has been recognized as a critical component of the education system. Cases from both high and low-income countries show that quality early childhood programmes increase educational success in the long run and decrease public expenditures later. Simultaneously, in many countries, a central priority in education reform has shifted from enrolment, especially at the primary school level, to focusing on quality learning outcomes. This has involved the increasing use of international tests for benchmarking, as well as the growth of school governing boards comprised of teachers, parents and community members to support accountability.

70. In the higher education sector, systems thinking and interdisciplinary approaches are gaining prominence as a means of innovation. However, distinct disciplines still face difficulties in communicating the evolution of their individual fields, owing to the use of different methods and standards. Likewise, the funding structure of higher education is organized in silos. Interdisciplinary projects, run longer than conventional projects and are therefore costlier. Countries have embraced interdisciplinary approaches very differently and a strategic vision for research that encompasses multiple disciplines has yet to be formulated in many parts of the world.

71. The inclusion of lifelong learning as a priority within the Sustainable Development Goals presents new opportunities for adult education in global development frameworks. However, the current fragmented approaches and limited funding will continue to hamper its potential. Adequate political and financial will is needed to create effective lifelong learning systems that can provide additional institutional capacity to support learning for work in the future.

72. Consequently, human resources development strategies have generally proven successful when targeting three main objectives: matching supply to current demand for skills; helping workers and enterprises adjust to change; and building and sustaining competencies for future labour market needs.[43] Those objectives can be achieved through quality education for all that lays a strong foundation for future

[43] International Labour Organization, *A Skilled Workforce for Strong, Sustainable and Balanced Growth: A G20 Training Strategy* (Geneva, International Labour Office, 2012). Available from www.oecd.org/g20/summits/toronto/G20-Skills-Strategy.pdf.

training and employment opportunities. Building bridges between the world of work and training to improve the skills match are equally important. Continuous workplace training and lifelong learning also play important roles. Furthermore, sustained dialogue between employers and trainers, coordination across government institutions, adequate labour market information, employment services and performance reviews are all steps to inclusive human resources development strategies that identify skills needs early on, and thereby support innovation, investment, economic diversification and competitiveness.[43]

Building pathways from education to employment

73. Successful human resources development will require better connections between education and employment so as to turn qualifications into jobs. Some countries have prioritized technical and vocational education and training as a pathway to employment and to provide a better and more nimble response to changing labour market needs. However, Governments are being challenged to adapt vocational education models to encompass the full range of necessary skills, including interdisciplinary training and lifelong learning.

74. Vocational training has proven to be a successful model for public-private partnerships in the education sector. Education and training institutions can benefit from the dialogue with, and insights from, the private sector to ensure that training keeps pace with employers' evolving needs. Universities and industries can build on longstanding experiences of working together on large-scale research projects.

75. Closer collaboration will also be required across Government ministries in order to devise integrated strategies encompassing public policies in the areas of education, youth, industrialization and rural development. As education is increasingly interwoven with work, enabling employees to reskill throughout their careers, existing public-private partnerships will need to be scaled up to support learners in the workplace. Governments will also need to strengthen the incentives they provide for companies and individuals to invest and participate in lifelong learning and training.

76. Commercial providers of continuous education programmes report the challenge of an ever more diversified learning market in which Governments are not the only providers of education. This will require public education institutions to strengthen accountability frameworks to certify and thereby guarantee the quality of educational programmes provided by other actors. More fluid skill sets may also require a review of the narrow occupational classifications that inform the development of competency standards and qualifications.

Strengthening social protection systems and labour standards

77. One of the greatest achievements made in the twentieth century was the growth of organized labour and the development of a framework for social dialogue and labour regulations. This resulted in the establishment of international labour standards and other mechanisms for promoting workers' rights and well-being, including the recognition of access to social insurance as an essential human right.[44]

78. Such protection framework was designed in response to, and largely dependent on, a formal labour market where workers were steadily employed and economic growth was stable and strong. Thus, coverage from such protections has been less

[44] Louise Fox, "Why are worker benefits and protections so limited in developing economies?", Brookings Blum Roundtable 2016 Post-Conference Report (Washington, D.C., The Brookings Institute, 2017). Available from www.brookings.edu/wp-content/uploads/2016/07/Global_20160720_Blum_FoxWeb.pdf.

successful in developing countries. Only 27 per cent of the world population has access to comprehensive social security systems, even though all countries have taken steps to develop them.

79. The stubborn challenges of weak growth, low productivity and informal and vulnerable employment in developing countries have posed challenges to the development of organized labour and subsequent social protection programmes they have historically helped to produce. This is a trend driving uncertainty about the future of work in developing countries, in particular the absence of strong, well-defined labour movements and the limited role for collective bargaining. Whatever progress is made in this area, it is likely that it will not easily replicate what came before. Instead, significant innovation will be required to advance workers' rights, especially in developing countries, and regulating decent work considering the changing employment landscape.[7]

80. Innovative solutions to extend social protection and to enable investment of skills and continuous lifelong learning opportunities, social dialogue and collective bargaining are also critical for new forms of jobs and businesses outside the standard forms of employment, for example, short-term labour or "gig economy" jobs. Transition from the informal economy to formal economy, including through promotion of cooperatives and other solidarity economy enterprises present opportunities as well.

81. Universal basic income is currently high on the agenda as a possible policy option for supporting income security in the face of new forms of work, digitalization and automation, including from informal and precarious employment. However, there are a wide diversity of proposals, which differ dramatically regarding: the level of the proposed basic income; the coverage of recipients; possible financing modalities; reconfigured social protection systems to make space for universal basic income; and potential economic and social impacts. Feasible models across different contexts need further exploration.

V. United Nations: retooling for implementation

82. The universal and integrated nature of the 2030 Agenda for Sustainable Development requires coherent efforts at all levels to leave no one behind, including through increased capacity development and international cooperation. This has direct implications for the support of the United Nations for the human resources development efforts of Member States as part of the overall implementation of the Sustainable Development Goals. It also implies changes to the development of human resources of the Organization.

83. The United Nations provides integrated policy advice to support countries in the implementation of the 2030 Agenda, and its support in broadening their human resources base in areas such as institution-building, statistical capacity and policy planning, management and evaluation will be critical to sustain development gains over time. At the national level, the principle of "leaving no one behind" has been integrated as one of the guiding principles in the United Nations Development Assistance Framework that orients United Nations country-level programming in line with the 2030 Agenda and national priorities and strategies.

84. United Nations entities are increasingly tapping into the potential of innovation and technology to foster human resources development. The International Telecommunication Union (ITU) and the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) use tools to reduce the digital divide, making ICTs training available, especially for women and girls,

youth and marginalized communities. UN-Women virtual skills school seeks to enable young women to acquire new skills through an open platform offering diverse learning pathways. The ITU Academy offers training in the ICT sector for indigenous peoples and has compiled online training materials in its ICT resources for youth employment and entrepreneurship database.

85. The United Nations Educational, Scientific and Cultural Organization (UNESCO) provides support for countries to develop and reform their education systems at all levels, in all settings, so that all learners are prepared for a rapidly changing global labour market. Moving towards knowledge-based societies, UNESCO helps develop evidence-based policies in response to new trends and works to make higher education more inclusive. The UNESCO Strategy for Technical and Vocational Education and Training 2016-2021 aims at supporting countries in transforming their technical and vocational education and training systems.

86. In response to high levels of youth unemployment, the Global Initiative on Decent Jobs for Youth, launched in 2016, provides a template for an issue-based, United Nations inter-agency initiative in support of countries. Working around eight interconnected themes, including digital and entrepreneurial skills as well as quality apprenticeships, the initiative brings together the expertise of 21 entities to tackle the challenge of youth unemployment. It also provides a platform to operationalize global partnerships beyond the United Nations system to catalyse action on strengthening youth's human capital and facilitating transitions to labour markets.

87. Advances in technology allow the United Nations system to deliver programmes in innovative ways. At the same time, technological change and its potential impacts on societies at large reshape the United Nations policy research work and its normative agenda. Important issues stemming from science and technological innovation, such as automation and artificial intelligence, require a collective response from Governments to fully address both intended and unintended consequences. United Nations leadership, guided by policy research, will be required to navigate the changes, which will influence the international community's ability to implement the 2030 Agenda.

88. The United Nations can capitalize on its unique "knowledge ecosystem" of normative and operational expertise. The breadth of the 2030 Agenda requires, however, a review of the specific skill sets needed. A more effective, results-oriented and agile Organization will require better knowledge management across the pillars of its work, and, at the same time, new expertise in areas where gaps have been identified. This also includes strengthening cross-cutting technical skills on the formulation of integrated policy advice to Governments.

89. Moreover, the policy work of the system will need to be underpinned by strengthened capacity for data literacy, technology, disaggregated data collection and analysis, partnerships and joint resource mobilization. Knowledge resources are an important component of the capacity of the United Nations system to support countries. Yet, the capacity of the system to act coherently and fully capitalize on its expertise is hampered by fragmented knowledge management and databases. Introducing or strengthening knowledge management strategies and policies towards a common and accessible knowledge base will therefore be critical.

90. Retooling the United Nations to effectively support human resources development in the twenty-first century will therefore require investments in the Organization's own workforce, putting people at its centre and supporting the efforts of Member States to deliver on the promise to leave no one behind.

VI. Key messages and policy recommendations

91. Policies rooted in the principles of equity and sustainability can mitigate the impact of key trends in the world of work, and help anticipate their effects. Experience shows that technological change can be accompanied by broad-based growth, job creation and expanded opportunities for education, learning and innovation.

92. Cutting-edge breakthroughs in science and technology are likely to continue and to accelerate. Although the impact of those developments will not necessarily be neutral, their deployment offers new opportunities for the improvement of individual livelihoods and the fostering of collective innovation with the support of relevant education and skills development, as well as necessary infrastructure.

93. The future of work, shaped by progress in science and technology, implies a shift towards lifelong learning and a transformation towards comprehensive, lifecycle approaches to education and training. In an ever faster changing world of work, adaptability and the willingness to reskill become key to success to match trends in the global economy.

94. There will be a need for continued investments in the quality of basic skills development, ideally during early childhood. The education of teachers and the breaching of the digital divide remain critical enablers for inclusive human resources development strategies.

95. Policies should focus on promoting transitions from non-standard, vulnerable and informal arrangements, to more stable employment and decent work, as well as promoting adequate social protection for those in all types of employment. Global supply chains can contribute to new sources of growth and opportunity, but the quality of employment and the need for social advancement require additional effort among all partners from the Government, the private sector and organized labour.

96. Large-scale investments are needed in transformative education, skills and decent job creation to address health and social workforce supply and demand mismatches. This will build the human capital required to achieve and sustain universal health coverage and global health security, create decent jobs required for the achievement of the Sustainable Development Goals, reduce youth unemployment, enhance women's economic empowerment and participation and achieve inclusive economic growth.

97. Member States should adopt and implement comprehensive human resource development strategies premised on national development objectives that ensure a strong link between education, training and employment; that help to maintain a productive and competitive workforce; and that are responsive to the needs of their national economy, society and sustainable development.

98. To keep pace with advances in technology and changing skill sets, the United Nations system should strengthen its approach to human resources development internally, with Member States and with its external partners. The vision and the leadership by the United Nations, and its partners, are required at all levels both in order to anticipate the transformations in the world of work and the needed changes in education that is needed, as well as to ensure that human resources frameworks are inclusive.

99. The United Nations development system has aligned its work with the 2030 Agenda and is changing its ways of working to ensure that it provides effective support for implementation, including through human resources development, as a global knowledge hub, and as a venue for devising multilateral pathways to address sustainable development challenges.

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Seventy-second session
Item 91 (b) of the provisional agenda*
Reduction of military budgets: objective information on military matters, including transparency of military expenditures

Group of Governmental Experts to Review the Operation and Further Development of the United Nations Report on Military Expenditures

Note by the Secretary-General

The Secretary-General has the honour to transmit herewith the report of the Group of Governmental Experts to Review the Operation and Further Development of the United Nations Report on Military Expenditures, established pursuant to General Assembly resolution 68/23.

* A/72/150.

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Summary

The Group of Governmental Experts to Review the Operation and Further Development of the United Nations Report on Military Expenditures, mandated by the General Assembly in its resolution 68/23, has submitted the present report, which contains recommendations for improving the operation of the United Nations Report and ensuring its further development and continued relevance.

In its report the Group of Experts stresses the continued importance of the United Nations Report on Military Expenditures as an instrument for promoting transparency and building confidence on military matters among States, and includes a comprehensive review of the issues affecting its operation. In particular, the report identifies possible causes for the recent decline in reporting by Member States and emphasizes the need for strengthening efforts to promote the report and to encourage the annual submission of national reports by those States that do not have a history of reporting to the instrument. In this context, the Group of Experts has developed a questionnaire (annex I) aimed at enhancing the understanding of the reasons for the decline in reporting.

The Group of Experts considered that the existing forms for reporting military expenditures remain adequate and do not warrant alteration. In addition, the Group recommended the adoption of a new form that would allow each Member State to report its total annual military expenditures as a single, non-disaggregated figure.

The Group made recommendations for strengthening the work of the Office for Disarmament Affairs of the Secretariat in support of the operation and further development of the report, with special focus on activities to promote reporting by Member States and to further improve the functioning of the online reporting tool and database maintained by that Office.

The Group recommended that a determination on the future review of the United Nations Report on Military Expenditures be made by the General Assembly on the basis of the results of the questionnaire contained in annex I to the present report.

Foreword by the Secretary-General

In 1980, the General Assembly established a mechanism for promoting greater transparency in military spending, reasoning that it would decrease uncertainty regarding the military intentions of Member States and help to build trust and reduce the likelihood of conflict.

Efforts to enhance transparency in military expenditures are especially critical at the present time, since, after having plateaued for more than a decade, global military spending has begun to increase.

Since the inception of the United Nations Report on Military Expenditures, 124 Member States have reported at least once, although reporting by many Member States has not been consistent and the overall level of reporting has declined over the past decade.

The present report contains important recommendations for improving the operation of the United Nations Report on Military Expenditures, and for ensuring its relevance and further development. I thank Ambassador Ion Jinga, Permanent Representative of Romania to the United Nations, and all of the members of the Group of Governmental Experts who worked in the preparation of the report to the General Assembly.

I encourage Member States to translate the political support manifested in their unanimous support of the resolution on the United Nations Report on Military Expenditures into a commitment to submitting their national reports on an annual basis.

Letter of transmittal

[26 July 2017]

I have the honour to submit for your consideration the report of the Group of Governmental Experts on the Operation and Further Development of the United Nations Report on Military Expenditures.

The list of the members of the Group of Experts, whom you appointed pursuant to General Assembly resolution 68/23, is as follows:

Angola

Mr. Márcio Burity
Third Secretary
Permanent Mission of Angola to the United Nations
New York

Argentina

Ms. Mariela Fogante
Minister Extraordinary and Plenipotentiary
International Security
Nuclear and Space Affairs Department
Ministry of Foreign Affairs and Worship of Argentina

China

Mr. Ma Shengkun
Counsellor, Arms Control Department
Ministry of Foreign Affairs

El Salvador

Colonel Federico Ezequiel Reyes Girón Canales
Chief, Financial Unit, Ministry of Defence

France

Mr. Jean-Michel Oudot
Ministry of Defence
(1st and 2nd sessions)

Mr. François Devoucoux du Buysson
(3rd session)

Islamic Republic of Iran

Mr. Khodad Seifi Pragou
Director, Disarmament and International Security
Ministry of Foreign Affairs

Japan

Mr. Kentaro Minami
Senior Deputy Director
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Disarmament, Non-Proliferation and Science Department
Ministry of Foreign Affairs

Lithuania

Ms. Inga Anuškevičiūtė
Director of the Department of Finance and Budget
Ministry of National Defence

Pakistan

Mr. Khalil Ur Rahman Hashmi
Director General
Ministry of Foreign Affairs
(1st and 2nd sessions)

Mr. Usman Iqbal Jadoon
Counsellor, Permanent Mission of Pakistan
Geneva
(3rd session)

Romania

Ambassador Ion Jinga
Permanent Representative of Romania to the United Nations
New York

Russian Federation

Mr. Vadim V. Sergeev
Second Secretary
Permanent Mission of the Russian Federation to the United Nations
New York
(2nd session)*

Spain

Mr. Fernando Juste Borredá
Expert, Office for Non-Proliferation and Disarmament
Ministry of Foreign Cooperation

Tunisia

Brigadier General Boujah
(2nd session)

Mr. Sami Mhamdi
Chef du Cabinet
Ministry of Defence
(3rd session)

United States of America

Ms. Debora Fisher
Senior Adviser
Arms Control
Verification and Compliance Bureau
Department of State
(1st and 3rd sessions)

* The Russian Federation did not nominate an expert for the first and third sessions. Several officials from the Permanent Mission of the Russian Federation to the United Nations Office at Geneva attended meetings of the third session.

Mr. William B. Malzahn
Senior Coordinator for the Arms Trade Treaty
Office of Conventional Arms Threat Reduction
Bureau of International Security and Non-proliferation
Department of State
(2nd session)

Sharing information on military expenditures is an important confidence-building measure that fosters transparency and helps generate trust among States. For almost four decades now, the United Nations Report on Military Expenditures (formerly, the United Nations Standardized Instrument for Reporting Military Expenditures) has been the vehicle through which Member States transmit their national reports on military expenditures to the United Nations, which in turn makes them available to all Member States and to the public.

The Group of Governmental Experts, which I had the honour to chair, was tasked by the General Assembly to review the operation and further development of the United Nations Report on Military Expenditures.

The Group held three one-week sessions of work in Geneva and New York, during which it engaged in a comprehensive review of the operation of the report. The review built on the work of the previous Group of Governmental Experts, in 2011, but also addressed new areas and issues that the members of the Group considered to be pertinent to the sustained operation of the report and to ensuring its continued relevance and development.

The Group of Experts devoted special attention to the declining trend in reporting by Member States and sought to identify its possible causes. In this connection, the Group developed a questionnaire (annex I), which is aimed at engendering more clarity and enhancing understanding of the reasons why the number of reports submitted annually has decreased. The report of the Group recommends the circulation of the questionnaire among the States Members of the United Nations.

In addition, the Group recommends a set of measures for promoting the report and encouraging broader participation in its publication by Member States, facilitating reporting through improvements to the electronic reporting tool and database maintained by the Office for Disarmament Affairs of the Secretariat, enhancing the effectiveness of national points of contact, strengthening the support provided by the Office to ensure the effective operation of the report and capacity-building for requesting Member States.

I would like to thank the members of the Group of Experts for their constructive approach and for their contributions to the deliberations, which enabled the Group to fully discharge the task entrusted to it and to produce a substantive outcome for the consideration of the General Assembly.

On behalf of the members of the Group of Experts, I would also like to thank the Office for Disarmament Affairs of the Secretariat, not least Mr. António Évora, who served as Secretary of the Group, for the competent support and advice provided, and Mr. Pieter Wezeman for his indefatigable work and valuable contributions as technical consultant to the Group.

Allow me also to thank you, Mr. Secretary-General, for entrusting us with this important task, the results of which we hope will contribute to strengthening the United Nations role in promoting transparency and confidence-building among States on military matters.

I have been requested by the Group of Governmental Experts, as its Chair, to submit to you, on its behalf, the present report, which was approved by consensus.

(*Signed*) Ion **Jinga**
Permanent Representative of Romania to the United Nations
Chair, Group of Governmental Experts on the Operation and
Further Development of the United Nations Report on
Military Expenditures

I. Introduction

1. Pursuant to General Assembly resolution 68/23, the Secretary-General, on the basis of equitable geographical representation, established the Group of Governmental Experts to undertake a review of the operation and further development of the United Nations Report on Military Expenditures (until 2013 known as the Standardized Instrument for Reporting on Military Expenditures), taking into account the views expressed by Member States and the annual reports of the Secretary-General on the subject. In that resolution, the Assembly also took note of the need to improve the operation of and broaden participation in the compilation of the report in the light of changes since its introduction in 1980.

II. History of the United Nations Report on Military Expenditures

2. The Standardized Instrument for Reporting Military Expenditures, established in 1980, commenced operation in 1981, in accordance with General Assembly resolution 35/142 B, entitled "Reduction of military budgets". In that resolution, the Assembly expressed its conviction that the systematic reporting of military expenditures was an important first step in the move towards agreed and balanced reductions in military expenditures and emphasized the value of the instrument as a means of increasing confidence between Member States. It also recommended that all Member States report annually on a voluntary basis to the Secretary-General their military expenditures of the latest fiscal year for which data were available.

3. The United Nations Report on Military Expenditures has evolved as described in detail in the report of the previous Group of Governmental Experts of 2011.[1] In 1992 the General Assembly adopted resolution 47/54 B, the main objectives of which included the enhancement of transparency on military matters, increasing the predictability of military activities, reducing the risk of military conflict and raising public awareness of disarmament matters. In this framework, the focus of the report became transparency and confidence-building measures.

4. Since reporting began, in 1981, the General Assembly has made efforts to broaden participation through the adoption of a resolution entitled "Objective information on military matters, including transparency of military expenditures".[2] A recurrent feature of the resolutions has been the request for Member States to communicate to the Secretary-General the measures they have adopted to improve the flow of objective information on military spending and capabilities. In 1998, the Secretary-General, in his report to the General Assembly, recommended that Member States be encouraged to provide their views regarding obstacles to their participation and be provided with incentives to participate in the reporting system.[3] Moreover, the Secretary-General recommended measures for enhancing the complementarity and cooperation among different international and regional instruments.[4] In 2002, a simplified reporting form was introduced, with a view to enhancing the participation of Member States in reporting military spending.

5. The report of the Group of Governmental Experts reviewing the United Nations Report on Military Expenditures in 2011 included recommendations for: (a) improving the reporting forms; (b) introducing national points of contact for the report; (c) promoting the report in cooperation with regional organizations;

[1] A/66/89 and Corr. 1-3.

[2] The resolution is adopted by the General Assembly on a biennial basis: the most recent resolution is Assembly resolution 70/21.

[3] A/53/218, paras. 43-47.

[4] Ibid., paras. 49-51.

(d) overhauling the report's electronic database; and (e) initiating a process of periodic reviews of the report.[5]

III. Review of the continuing operation of the United Nations Report on Military Expenditures

A. General

6. The Group reviewed the data and information submitted by Governments under the United Nations Report on Military Expenditures, as well as views and suggestions by Member States, as reflected in the reports of the Secretary-General on ways and means to improve the operation of the United Nations Report on Military Expenditures and how to broaden participation. The Group benefited from information provided to it by the Office for Disarmament Affairs of the Secretariat, which included statistical data relating to the report and utilization of the reporting forms, an overview of the implementation of the recommendations of the previous Group of Experts, the activities of the Office for Disarmament Affairs to promote the United Nations Report on Military Expenditures and participation in its preparation and the preparation of related instruments. Representatives of the Organization for Security and Cooperation in Europe, the Stockholm International Peace Research Institute and the Union of South American Nations gave briefings on their efforts to collect, process and store financial statistical data in relation to military spending. The Group was also briefed by a staff member of the Office for Disarmament Affairs on information received from the International Monetary Fund on its collection of military expenditure data from Member States.

B. Importance of the United Nations Report on Military Expenditures

7. The Group of Experts discussed the continuing importance of the United Nations Report on Military Expenditures and, in this regard, noted that the resolution entitled "Objective information on military matters, including transparency of military expenditures" has consistently been adopted by consensus.

8. The relevance of the United Nations Report was considered in the light of increasing confidence between Member States, including in relation to the standard set out in Article 26 of the Charter of the United Nations.

9. The Group acknowledged that transparency in military matters, as an important element in building a climate of trust and confidence between Member States worldwide, has become the main focus of the United Nations Report. While reaffirming that reporting is without prejudice to the individual or collective self-defence, as set out in Article 51 of the Charter, the Group acknowledged that increased transparency of objective information on military matters, submitted on a voluntary basis, can help to increase confidence among Member States and relieve international tensions, thereby contributing to conflict prevention.

10. There was agreement that the voluntary nature and the relevance of the United Nations Report should be maintained. Its relevance is further underlined in the light of the many ongoing violent conflicts and the recent increase in military spending in the world. Regarding the latter, the United Nations Report contributes to highlighting the evolution in military expenditures and encourages the exchange of

[5] A/66/89 and Corr. 1-3.

views and clarifications between Member States on the security concerns and other motives for their sovereign decisions regarding military expenditure.

11. There was agreement that transparency, and the United Nations Report for that matter, do not stand alone, and should be considered and used in synergy with other global and regional confidence-building measures. The Group observed that the utility of the United Nations Report is highest in more stable regions, with low levels of tension and conflict, where confidence has already been established and where there are mechanisms and organizations that can take ownership of and build on global and regional confidence-building tools. The Group considered the question of how the United Nations Report can contribute to confidence-building in situations where there are steep increases in military spending, in particular if these are uneven, among Member States.

12. The relevance of the United Nations Report on Military Expenditures was also considered in the light of its potential to assist Member States from different regions and subregions in effectively addressing their security concerns, as well as in the context of its interrelationship with other efforts undertaken by the United Nations in the field of arms control and disarmament. While discussing the United Nations Report, experts noted the interrelationship between military expenditures and other aspects of State policy in areas such as economics, security, finance and foreign affairs.

13. As regards the intended users of the United Nations Report, the Group considered that the data collected and presented therein are primarily aimed at informing decision-makers and policymakers. It was thus argued that its relevance is enhanced when its merits are well understood by the political leadership of Member States. Currently such ownership at the political level remains highly varied among regions and countries. It was noted that the United Nations Report and its related database are public and that this enhances its utility within the framework of raising awareness and informing civil society.

14. When discussing the usefulness of the United Nations Report, the Group called for efforts to ensure that data provided by Member States is accurately reflected therein and for efforts to facilitate the comparability of the data.

15. Given the engagement of military forces in a variety of activities, for example, disaster relief and support for the police, in a number of countries, the Group discussed the suitability of the current definition of "military expenditures". The Group considered that a broad and flexible definition was likely to promote broader participation by Member States. It was noted that the United Nations Report was a voluntary reporting instrument, without related verification instruments. Differences in reporting due to the difficulties of adapting data from national accounts to the format of the United Nations report create challenges for the comparability of the data.

C. Participation at the global and regional levels and the goal of universality

16. The Group examined the rate of submissions for the entire period of operation of the military expenditures reporting system and discussed the possible reasons for the declining trend in participation. In accordance with the respective General Assembly resolutions, Member States are invited annually to submit national reports. The reporting rate has varied since the inception of the original reporting instrument. Since 1980, 124 Member States have responded with data for at least one year.

17. The Group noted that, on average, in the period 2012-2016, 54 Member States submitted information for the United Nations Report. It observed with concern, however, that participation in the report has decreased significantly since 2012 and that its analysis therefore differs significantly from that of the previous Group, which reviewed the instrument when participation was at its peak. It was acknowledged that the annual booklet issued by the Office for Disarmament Affairs on participation in the instrument is an important tool for monitoring participation levels and that should be continued.

18. The Group noted that during the period 2012-2016, since the report of the last Group of Governmental Experts was published, regional participation was as follows: 6 Member States from African States, 19 from Asia-Pacific States, 22 from Eastern European States, 13 from Latin America and the Caribbean States, and 19 from the Western European and Others States. The Group recommended that specific efforts be made to promote the United Nations Report on Military Expenditures in regions with low participation.

19. It was observed that many of the countries that are known to have the highest levels of military expenditure globally always, or frequently, submit information to the United Nations Report. Such participation strengthens the utility of the United Nations Report.

20. Most submissions arrive at the Office for Disarmament Affairs before the annual deadline of 30 April. The Group noted that, although some Member States have reported regularly to the instrument, many Member States report in some years and not in others. For example in the six-year period from 2011 to 2016, 25 Member States reported 6 times, 14 reported 5 times, 14 reported 4 times, 12 reported 3 times, 10 reported 2 times and 19 reported only once.

21. The Group noted that, for a majority of Member States, information on military expenditures is available from open sources, and that many Member States that do not submit information to the United Nations Report do publish data on military expenditures through other channels. The Group encouraged those Member States to consider the possibility of submitting such publicly available data to the United Nations Report and also discussed whether the low rate of response may have led Member States to resort to other sources of information for analysing regional or global trends and patterns in military expenditure. In this context, it was also argued that the increasing availability and accessibility of military expenditure information in the public domain could have an effect on the perceived relevance of the United Nations Report.

22. The Group concluded there is no firmly established causal relation between regional workshops and participation in the compilation of the United Nations Report. In the years from 2001 to 2010, several such workshops were conducted and, during that period, overall reporting levels increased. However, data show no direct relationship between conducting a workshop in a region and changed reporting levels in that region. However, it was noted that the lack of workshops in the period after 2010 was accompanied by a decrease in overall participation.

23. The Group agreed that the actual causes for the decreased number of submissions for the United Nations Report, and in particular how these may differ between countries and regions, have not been established on the basis of a thorough empirical study. Therefore it suggested that a survey among Member States be conducted, with a special focus on non-reporting Member States, to establish with greater accuracy the causes of the decline in participation. Based on their own experiences, experts exchanged views on the causes for the decreasing rate of participation. Such possible causes may include: reporting fatigue and different priorities towards other reporting obligations; challenges related to differences

between national accounting systems and the format of the United Nations Report and to technical aspects of its database; lack of confidence in the information in national reports owing to concerns about comparability, accountability and credibility; lack of perceived benefit or added value; and perceptions of the relevance of reporting when official military expenditure information is already available in the public domain. In addition, the evolving United Nations agenda may have had an effect on maintaining the political momentum of work on traditional instruments, such as the United Nations Report on Military Expenditures. It was also observed that although the instrument has been recognized as an established transparency measure, the sensitivity of the information is still a factor to be taken into account when assessing the causes of the declining participation. The Office for Disarmament Affairs has carried out outreach activities in order to increase participation. However, it faces challenges in maintaining an adequate and updated network of national points of contact.

D. Regional and subregional efforts

24. The Group noted the important role some regional and subregional organizations have played in the exchange of information on military expenditures through improved accounting for subregional realities and security concerns when exchanging information on military expenditures. The Group also noted, with interest, information on the existing regional and subregional agreements promoting transparency in military matters of the Organization for Security and Cooperation in Europe (OSCE) and the Union of South American Nations. The Group further noted that OSCE utilizes the formats of the United Nations Report at the regional level.

25. The Group recognized that reporting to both the United Nations and regional instruments is mutually reinforcing. Although approaches vary and different stages have been reached at the regional and subregional levels, it was recognized that regional and subregional organizations, where appropriate, have much to contribute in the way of promoting the objectives of the United Nations Report and encouraging further participation of Member States in its compilation.

E. The use of reporting forms

26. The Group analysed the use by Member States of the existing reporting forms. The Group took note that the electronic submission of reports by Member States significantly reduces the burden on the Secretariat. In past years, over 80 per cent of the submissions were electronic. In the case of Member States that do not enter data directly into the database, reports are scanned and posted to the website by the Office for Disarmament Affairs.

F. Access to data and information reported

27. The Group assessed the online database of the country reports on military expenditures, which the Office for Disarmament Affairs maintains. The database allows for the organization of data by year of submission, State or fiscal year. The Group noted the clarification from the Office for Disarmament Affairs that when Member States do not electronically report because of technical issues the process of data inputting is time-consuming, affecting the quality of the presentation and timely accessibility to the data. The Group welcomed the online reporting tool and electronic database developed by the Office and noted that some challenges remained to ensure their maintenance and continuous development, in order to

ensure their proper functioning and the timely and accurate dissemination of reports submitted by Member States. The Group invited Member States in a position to do so to consider providing voluntary contributions to the Office for Disarmament Affairs to ensure the maintenance and upgrading of those electronic tools. Upgrades to the electronic reporting tool and database could include features allowing for the easy copying and merging of data into the database and to make it easier for Member States to make corrections and revisions to data already submitted.

28. The Group noted that all the reports of the Secretary-General since 1981 are available in United Nations Depository Libraries while reports from 2000 onwards are available at the website of the Office for Disarmament Affairs in PDF format.

G. Activities of the United Nations Secretariat

29. The Group welcomed the consistent efforts of the Secretariat in promoting and supporting the operation of the United Nations Report in accordance with relevant General Assembly resolutions. This includes encouraging Member States to participate in the Instrument, drafting publications and developing procedural guidelines for compiling national reports, collecting yearly national data, compiling the Secretary-General's annual reports, and maintaining and updating the database of military expenditures.

30. The Group also recognized the role of the Secretariat in increasing awareness of and familiarity with the report among Member States. The group recalled that between 2002 and 2010, with the financial support and cooperation of interested Member States, the Office for Disarmament Affairs organized regional workshops to promote the Report in Ghana, Namibia, Indonesia, Kenya, Thailand, Senegal and Peru. The workshops were an opportunity to underline the role of the Report as a global confidence-building measure and to promote wider participation of Member States. Whereas the Office for Disarmament Affairs was not able to conduct such workshops from 2011 due to budgetary restraints, the Group spoke in favour of resuming these activities and invited Member States in a position to do so to provide voluntary contributions to that end.

IV. Development of the United Nations Report on Military Expenditures

A. Increasing the importance and strengthening and broadening participation

31. The Group agreed on the need to increase efforts to broaden participation in the United Nations Report, in particular by raising awareness. The experts mentioned the potential role that high-level United Nations officials, including the Secretary-General, could play in promoting the Report by mentioning and highlighting it in official communications, including speeches, interviews and meetings with high-level officials from Member States. The Group discussed how improving the content of the United Nations Report could increase its importance, which in turn could encourage participation.

32. The Group noted that the provision of adequate resources for the operation of United Nations activities in the field of transparency in military matters, including the United Nations Register of Conventional Arms, would be an unambiguous signal to Member States

of the continuing relevance of these two pillars of United Nations efforts in the area of confidence-building measures.

33. The Group suggested that the Secretariat update, as appropriate, the informational booklet on the United Nations Report for dissemination among Member States and, in addition, develop an online training module. It was further suggested that the Office for Disarmament Affairs could organize technical workshops to train national points of contact and relevant national officials and address their questions. Implementation of such activities would depend on the availability of resources, including voluntary contributions.

34. The Group considered the value of periodic reviews of the United Nations Report in order to ensure its continued relevance and operation.

B. Promotion of the United Nations Report on Military Expenditures at the subregional, regional and national levels

35. The Group discussed the need for raising greater awareness among decision-makers and experts in order to promote the participation of Member States in the United Nations Report. The Group also discussed ways to encourage national points of contact to be actively involved in the promotion of the United Nations Report at the national level and in the regional context.

36. The Group discussed the need for increased cooperation between the Office for Disarmament Affairs and other relevant international, regional and subregional organizations as a good way of promoting the use of the United Nations Report.

C. Reporting method

37. The Group noted the practice by some Member States of complementing military expenditures with explanations of the submitted data, including notes on the coverage of the data, as well as providing additional information on military budgets for the following years and on defence planning. The Group suggested that Member States be encouraged to voluntarily provide explanations, where appropriate, of the submitted data.

38. The Group considered the existing standardized form and its simplified version. The Experts agreed to preserve the basic structure of the United Nations Report, arguing that a significant number of Member States might have developed procedures and practices in using the current matrix format over the years and that radical changes could be counter-productive to enhancing participation in the United Nations Report.

39. The Group discussed options for moving the annual deadline for reporting from 30 April to a later date. The Group stressed that while Member States should be encouraged to submit their reports before the deadline, any submission should be welcomed even if it is late.

National Points of Contact

40. The Group noted the utility of the current practice to request Member States to submit information on National Points of Contact as part of their reports. However, updated information on National Points of Contact is only available for those Member States that report on a regular basis, resulting in a low number of registered National Points of Contact. In this context, it was suggested that, in order to facilitate communication and encourage reporting, the Office for Disarmament

Affairs should proactively seek information on National Points of Contact from Member States, including approaching known national points of contact for other United Nations transparency instruments, and by sending requests for such information to Member States. It was also suggested that Member States could provide information on national points of contact at any time, and not only through national reports.

41. The Group discussed the possibility that Permanent Missions might appoint liaison persons in New York to provide information as an additional measure to facilitate communication with the Office for Disarmament Affairs. It was noted that Member States could have multiple points of contact, for example at the Permanent Missions to the United Nations in New York and at their capitals. This could help avoid situations in which the request for submissions to the United Nations Report failed to reach those who have access to the relevant data. In addition, for certain Member States, the New York-based person responsible for arms control issues is the national point of contact, by default, and a separate national point of contact has no added value.

D. Modifications to the reporting forms

42. The Group discussed proposals aimed at making the United Nations Report more recognizable and easier to use. It was suggested that possibilities be identified to simplify the report, in particular by cutting elements that Member States never use. To facilitate this work submissions from the 2012-2016 period were reviewed to identify which types of information on resource costs (rows in the standardized format) were seldom or never used. It was established that the columns on "strategic forces" (although related data has been submitted in the row "nuclear warheads and bombs") and "other military forces" had never been used from 2011 to 2015.

43. It was suggested that default zeroes be removed in the standardized report database entry page to avoid misinterpretation and that they be replaced with empty cells or another indication of "non-applicable", ensuring that zero is an option to indicate that spending is actually zero in a specific year.

Force groups (column headings)

44. The Group considered proposals aimed at adapting the reporting matrix to the current practices in the use and operation of military forces. The experts exchanged views on the different perspectives on the relevance of the column on strategic forces and the increasing resources allocated to cyberwarfare and autonomous weapons.

Resource costs (row headings)

45. The Group discussed the relevance of reporting spending for military pensions as a part of a State's military expenditures. It was considered that military pensions are the result of past military activity and may account for a significant share of a State's military expenditures. Their inclusion in the national reports would be needed to indicate that part of total military expenditures that has no relation to current military activities.

46. The Group also discussed proposals to introduce new elements into the United Nations Report, allowing Member States to provide, on a voluntary basis, information about the physical elements for which the resource costs were used. In particular, it was suggested that the option of providing personnel numbers for each of the columns under the rows that deal with personnel (1.1, 1.2, 1.3 and 1.4) be included. The rationale for this was to increase participation by providing countries

with an alternative to reporting on military expenditure if such reporting might be too difficult due to inadequate financial accountancy systems. In addition, in cases where resource costs and personnel numbers would be reported, the utility of the United Nations report would increase in line with the General Assembly resolution on objective information on military matters. On the other hand, it was argued that the proposal could shift the objective of the United Nations Report, increase the burden of reporting on Member States and possibly deter some Member States from reporting at all. In addition, while in some countries this type of reporting would be feasible, in regions where tensions and conflicts are rife it would be unlikely that Member States could submit such information. It was suggested that Member States could be encouraged, on a voluntary basis, to include information on personnel or other physical military resources in the explanatory remarks in their reports.

Simplified reporting form

47. Some experts discussed the possibility of adding to the simplified reporting form columns on personnel numbers and spending on strategic forces.

The "other" format

48. The Group discussed the importance of the "other" format, given that, for some countries, national accountancy systems differ so much from the formats in the United Nations Report that reporting in these formats is not feasible.

Nil reporting

49. The Group discussed the issue of the value of the nil reports and agreed on its relevance. It was suggested that the text reading "that it possesses neither armed nor military forces" be replaced with the words "that it does not possess military forces".

Single figure for military spending

50. The Group discussed the merits of introducing the possibility for Member States to report only total military spending: the simplified format could be adapted for this purpose; a new reporting form could be created; or the nil report form could be transformed into a format where the total military spending is reported, including the option to enter zero.

Additional information

51. The Group discussed the possibility of requesting Member States to include any or all of the following: military spending as a share of gross domestic product (GDP); military spending as a share of total Government spending; military spending per capita; and military spending per serving military personnel. It was suggested that some or all of this data could be provided using a new standard front page for all the formats on which the date could be entered, on a voluntary basis. However, at the same time, the Group considered the risk of complicating the reporting by requesting Member States to provide additional data, such as that mentioned above. This could dilute the purpose of the United Nations Report and, moreover, discourage reporting. The Group considered as an alternative that Member States could be encouraged to submit such data as part of the explanatory comments.

E. Providing assistance to Member States to report military expenditures

52. The Group recognized that the Office for Disarmament Affairs has provided technical assistance to Member States, upon request, for compiling national reports on military expenditures.

53. The Group noted the importance of capacity-building for Member States in relation to reporting to the United Nations Report. In this regard, the experts recognized the usefulness of offering assistance to Member States, upon request, in order to remove technical impediments for countries lacking the capacity to report data. Such assistance and capacity-building could take many forms, such as training of the key personnel, online training packages and on-site support.

F. Enhancement of the database on military expenditure

54. The Group recognized the importance of preserving transparency of military expenditures as an effective confidence-building measure. This requires that the data provided by Member States are readily available and easily accessible to Member States and the public.

55. The Group also expressed the view that improvement of the database needs to be continued and that it needs to be made more user-friendly in order to facilitate timely and accurate data entry and to increase the accessibility and utility of the reported data.

56. The Group supported the idea that the database could provide Member States with the possibility of including electronic links to their publicly available information on military expenditure, such as relevant Government budget documents. This would contribute to further transparency, and would make the database more useful and easier to use.

V. Conclusions and recommendations

A. Conclusions

57. The Group concluded that maintaining and promoting transparency in military matters through the reporting of military expenditures by Member States has been the prevailing objective of the United Nations Report since the 1990s. Transparency in military matters is an essential element for building a climate of trust and confidence among Member States, which helps to relieve international tension and thereby contributes to conflict prevention. The Group underscored the importance of preserving the voluntary nature of reporting on military expenditures by Member States as an important element in encouraging their continued and broad participation.

58. The Group noted with concern the continued decrease in reporting over the last five years and stressed the urgency of halting and reversing this process, in order to advance towards the goal of universal participation for enhancing the effectiveness of the United Nations Report as a global confidence-building measure. The Group therefore stressed the need to achieve broader participation in the United Nations Report and to encourage Member States to submit data.

59. The Group noted the important role that regional and subregional organizations could play in broadening participation in the United Nations Report.

The Group called upon these organizations to encourage their members to submit information to the United Nations Report.

60. The Group concluded that the different reporting forms should be treated as being equally valid.

61. Noting in particular that some Member States which neither possess military forces nor have military expenditures had reported to the United Nations Report only once, or not consistently, the Group reaffirmed the importance of broadening participation in the instrument and encouraged those Member States to submit a "nil" report on an annual basis.

62. The Group agreed that a common definition of "military expenditures" for the purpose of the United Nations Report allows Member States to clearly specify the nature of these expenditures and provides for greater comparability of data submitted by Member States. The Group also believed that providing explanations and additional information, where appropriate, raises the value of such data.

63. The Group also recognized the role of points of contact in communication between Member States and the Office for Disarmament Affairs as well as the importance of providing details for points of contact, preferably at the same time as reports are submitted.

64. The Group recognized the importance of providing, upon request, technical assistance to Member States lacking the capacity to report data. Such capacity-building could take many forms, such as training of the key personnel, online training packages and on-site support. The Group invites Member States in a position to do so to support such activities voluntarily, including at the regional and bilateral levels.

65. The Group noted the central role of the Office for Disarmament Affairs in supporting the continued operation of the Report to enhance participation and achieve universality.

B. Recommendations

66. After extensive and in-depth discussions on the review and further development of the United Nations Report on Military Expenditures and the improvement of its operation, the Group of Experts arrived at the following recommendations.

67. For the purpose of reporting national military expenditures, the Group of Experts recommends the continued reference to the following common understanding of such expenditures: "Military expenditures refer to all financial resources that a State spends on the uses and functions of its military forces. Information on military expenditures represents an actual outlay in current prices and domestic currency".

68. The composite elements of the United Nations Report remain valid and should be maintained. The Group of Experts recommends a new form for submitting only total military expenditures, called the "Single figure" form (the outline for the form is contained in annex II to the present report).

69. The Group of Experts also recommends that:

(a) Member States participate in reporting to the United Nations Report of Military Expenditures on an annual basis, with a view to broadening participation in that instrument, which could contribute towards enhancing transparency in military matters and to increasing confidence among Member States;

(b) Member States that possess no military forces be reminded of the importance of participating in the United Nations Report and contributing to the confidence-building by submitting a "nil" report annually;

(c) Member States be reminded to report by the annual 30 April deadline in order to ensure the timely dissemination of data and information submitted to the United Nations Report: in that connection, Member States should use, as appropriate, either the standardized reporting form, its simplified version, their own reporting format, the "single figure" form or the "nil" report form;

(d) Member States be encouraged to supplement their reports with explanatory remarks, as appropriate, regarding submitted data to explain or clarify the figures provided in the reporting forms, such as the total military expenditures as a share of GDP, military expenditure per capita and per soldier, major changes from previous reports and special circumstances, and any additional information reflecting their defence policy, military strategies and doctrines: in addition, Member States be invited to include, as appropriate, data on personnel and equipment numbers in the explanatory remarks;

(e) Member States be invited to provide information on their national point of contact for matters connected with the United Nations Report, preferably with the annual submission, on the understanding that this information will be held and updated by the Office for Disarmament Affairs and provided to Governments only;

(f) Member States, in particular non-reporting States, be encouraged to participate in the survey contained in annex I to the present report in order to contribute to determining with greater accuracy the causes of the decline in participation;

(g) Apart from providing support and assistance to the Office for Disarmament Affairs in carrying out the recommendations addressed to it, Member States may also consider providing, upon request, direct support to other Member States with respect to their activities related to the United Nations Report.

70. The Group of Experts recommends that the Office for Disarmament Affairs of the Secretariat undertake the following activities:

(a) Approach national points of contact to encourage them to submit national reports. In addition to the requests made in the note verbale sent to Member States annually inviting them to submit reports, the Office should send separate requests for submission of information on national points of contact;

(b) Continue to enhance awareness of the United Nations Report and to stress the importance of participation in it on an annual basis: in this regard, the regional centres of the Office should be utilized to the greatest possible extent and further engaged in promoting the participation of Member States in the reporting of military expenditures to the Secretary-General;

(c) Upgrade its electronic database to address existing challenges and ensure its continuous development and proper functioning, as well as the timely and accurate dissemination of reports submitted by Member States: until the database is upgraded, Member States that do not directly enter their data into the database should have their submissions scanned and posted on the UNODA website;

(d) Send a note verbale, with the reporting forms and the explanatory notes, to Member States by the beginning of each year as well as follow-up reminders, including electronic reminders, to national points of contact and the Permanent Missions of Member States to the United Nations in New York, where appropriate;

(e) Provided that adequate financial resources are available, and with support of interested Member States, the Office should aim to re-establish the practice of organizing regional workshops and seminars, update the existing informational booklet on the United Nations Report and develop an online training programme, including instructions and guidelines on how to prepare submissions, which should be disseminated among Member States and also posted on the Office's website;

(f) Provide the General Assembly with the annual consolidated report of the Secretary-General containing data and information on military expenditures submitted by Member States.

71. The financial consequences of some of the recommendations of the Group of Experts to enhance the operation of the United Nations Report on Military Expenditures were noted. It was acknowledged that implementation of these proposals would be contingent upon the availability of funds within the existing resources of the Office for Disarmament Affairs or voluntary contributions.

72. With regard to the issue of establishing a periodic review, the Group of Experts recommends that, in order to ensure the continued relevance and operation of the United Nations Report on Military Expenditures, a review process should be considered. Taking into account the results of the survey, the General Assembly should decide on the timing of the next review and the value of establishing a process.

Annex I

Questionnaire on participation in the United Nations report on military expenditures

As described in the report of the Group of Governmental Experts, to which this questionnaire is annexed, since its inception in 1980, States Members of the United Nations have annually reported their military spending for the United Nations Report on Military Expenditures. However, since 2012, the number of States that report has declined to 24 per cent.

The Group of Governmental Experts to Review the Operation and Further Development of the United Nations Report on Military Expenditures is mandated by the General Assembly to propose recommendations, in particular on how to strengthen and broaden participation in the compilation of the United Nations Report.

To gain a better understanding of the declining trend of participation, and the low reporting rate, the Group of Governmental Experts has initiated the circulation of the following survey among Member States in order to:

(a) Identify the priorities of Member States in relation to the transparency in military expenditures;

(b) Identify causes for non-reporting;

(c) Identify ways to promote reporting to the United Nations Report on Military Expenditures, including raising awareness;

(d) Identify ways and means of improving the operation of the report.

The Office for Disarmament Affairs of the Secretariat will compile the answers in a report, which is intended to provide empirical input into the continuing assessment of the functioning of the United Nations Report on Military Expenditures. That report will be annexed to the report of the Secretary-General to the seventy-third session of the General Assembly for its consideration.

Information acquired from the questionnaire will respect the confidentiality of all the data and will be used only for research purposes by the Office for Disarmament Affairs. In addition, there are no right or wrong answers in this questionnaire.

Participation in the questionnaire is of the utmost importance for the development of a reliable report on the operation and further development of the United Nations Report on Military Expenditures. Thank you for your collaboration.

Questions

1. Does your country report to the United Nations Report on Military Expenditures? Yes/No

2. Does your country report military expenditures to regional or subregional organizations? Yes/No

3. How would you assess the level of political attention and dedicated support in your country to report military expenditures?

1	2	3	4	5
Highly insufficient	Low	Somewhat sufficient	Sufficient	High

4. What are the preferred sources your country uses to monitor international developments in military expenditures?

5. If your country does not report, what are the reason(s) for that? Several answers are possible.

- Because of the voluntary nature of the report.
- Reporting fatigue.
- Challenges to determine who would prepare the submissions among the relevant government institutions in your country.
- Challenges to adapt national accountancy systems to the United Nations reporting template.
- Lack of perceived benefits of reporting.
- Security concerns related to publishing military expenditure data.
- Technical reasons.
- Others (please specify): _____

6. What are the proposals of your country on ways and means to improve the operation of the report?

Annex II

"Single figure" report on total military expenditures

The Government of _____, with reference to General Assembly resolution _____, hereby informs the United Nations that its total military expenditures in the fiscal year ____ were _____.

National currency and unit of measure: _____

National point of contact (for governmental use only):

Organization **Division/Section**

Phone _____ **Fax** _____ **Email**: _____

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Fifteenth annual progress report on the implementation of the capital master plan

Report of the Secretary-General

Summary

The fifteenth annual progress report on the implementation of the capital master plan is submitted pursuant to section II, paragraph 34, of General Assembly resolution 57/292. The report provides an update on the status of the project since the issuance of the fourteenth annual progress report (A/71/309).

The renovation of the Headquarters complex was substantially completed by September 2014 for the opening of the sixty-ninth session of the General Assembly, and all the buildings within the scope of the project were occupied and functional from that time.

From July 2016 until the time of preparation of the present report, the Office of Central Support Services continued with the implementation of post-renovation, commissioning and punch-list corrective activities and administrative tasks in support of the close-out of the project.

As at August 2017, all construction work for all scopes of the capital master plan project and its subcomponents, including the interim solutions and post-renovation activities, had been completed and achieved the status of final completion. The remaining activities are the administrative close-out of the contracts, reconciliation of accounts and payment of invoices, which are expected to be concluded by 31 December 2017.

The cost of all construction and close-out activities is being met as planned from within the existing approved resources of the capital master plan project. The financial position of the project remains consistent with the projection presented in the fourteenth annual progress report.

The General Assembly is requested to take note of the present report and to request the Secretary-General to submit the sixteenth and final progress report at the main part of its seventy-third session.

* A/72/150.

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I. Project status

1. The capital master plan was the largest and most comprehensive construction and renovation project undertaken by the United Nations. The project met its objectives of honouring and preserving the original historic design of the Headquarters complex, while at the same time modernizing the facilities to meet current accessibility, safety, security and technological standards.

2. Planning for the capital master plan began in 1999, the Office of the Capital Master Plan was created in 2002 and the construction phase of the project spanned the period from 2008 to 2014.

3. In July 2015, the Office of the Capital Master Plan was closed and the responsibility for all remaining activities was assumed by the Office of Central Support Services.

4. The General Assembly requested the Secretary-General to submit annual reports on the progress, schedule, projected cost to completion and financial status of the capital master plan. The present report is the fifteenth such report to the Assembly.

5. Since the issuance of the fourteenth annual progress report (A/71/309), progress has been made with respect to the construction and administrative close-out activities as outlined below.

6. The demolition and the removal of the temporary North Lawn Building were concluded in July 2016, and the subsequent construction, punch-list, commissioning and corrective work relating to the landscaping of the North Lawn were completed and achieved the status of final completion in August 2017.

7. The landscaping of the North Lawn included planting 197 new trees and replacing 110 trees that had been removed for the construction of the temporary North Lawn Building. Approximately 20 per cent of the newly planted trees were cherry and pear trees. A new grass lawn was planted with perennial flower meadows at the northern portion of the lawn. The roads and pathways encircling the rose garden and North Lawn were repaved with refurbished drainage.

8. The sculptures and gifts affected by the construction of the temporary North Lawn Building were restored and returned to their former locations. The International Olympic Committee donated new recreation pavilions, a basketball half court and a shuffleboard court, which were installed among trees at the north end of the grounds. As part of that donation, a small gym will be installed in the second basement area of the North Lawn Building.

9. The construction, punch-list, commissioning and corrective work and the security-related work at the 42nd and 48th Street entrances were completed and achieved the status of final completion in August 2017.

10. As part of the successfully completed security upgrades at the 42nd and 48th Street entrances to the Service Drive, clearly delineated and separate approaches to the Headquarters complex were established at each location. At the 42nd Street entrance, vehicle entry is permitted for delegates and staff through a dedicated lane on 42nd Street, where the security post has been equipped with state-of-the-art vehicular screening and barriers.

11. The 48th Street entrance was successfully re-engineered and reconstructed to accommodate three new loading bays at the street level, thereby keeping all external delivery trucks outside the Headquarters complex. Inside one bay, a new security post and screening station were installed and are complemented by a new mail

screening facility. New security cameras were installed, and traffic lights were refurbished. These combined upgrades have brought the level of security at Headquarters up to the standards of other domestic and international high-security facilities in accordance with the recommendations of the Department of Safety and Security.

12. The accounts associated with 23 of the 24 guaranteed maximum price contracts with the construction management company were reconciled and paid.

13. The accounts associated with the interim arrangements for the relocation of the staff and functions of the Dag Hammarskjöld Library Building and the South Annex Building, including the reconfiguration of the Dag Hammarskjöld Library Building and the construction of classrooms in the third basement area of the North Lawn Building and three new food service locations, were reconciled and paid.

14. As at 31 July 2017, the final projected cost of the capital master plan remained at $2,150.4 million, in line with the approved resources (excluding the renovation of the Dag Hammarskjöld Library Building and the South Annex Building, in accordance with General Assembly resolution 69/274). More details in this respect are provided in section V of the present report. At the time of reporting, over 99.9 per cent of the funds had been expended.

15. The capital master plan project has maintained the overall schedule reported in table 1 of the fourteenth annual progress report. The current status of the schedule is presented in table 1 of the present report.

Table 1
Projected schedule of the capital master plan

	As set out in A/62/364		*As set out in A/63/477*		*As set out in A/64/346*		*As set out in A/65/511*		*As set out in A/66/527*		*As set out in A/67/390*		*As set out in A/68/352*		*As set out in A/69/360*		*As set out in A/70/343*		*As set out in A/71/309*		*As set out in the present report*		
Activity	*Start*	*Complete*	*Start*	*Complete*	*Start*	*Complete*	*Start*	*Complete*	*Start*	*Complete*	*Start*	*Complete*	*Start*	*Complete*	*Start*	*Complete*	*Start*	*Complete*	*Start*	*Complete*	*Start*	*Complete*	*Status*
Construction of North Lawn Building	Early 2008	Mid-2009	Early 2008	Mid-2009	Mid-2008	Late 2009	Mid-2008	Late 2009	Mid-2008	Late 2009	Mid-2008	Late 2009	Mid-2008	Late 2009	Mid-2008	Late 2009	Mid-2008	Late 2009	Mid-2008	Late 2009	Mid-2008	Late 2009	Completed
Secretariat Building	Early 2009	Early 2012	Early 2009	Early 2012	Late 2009	Mid-2012	Early 2010	Mid-2012	Early 2010	Mid-2012	Early 2010	Mid-2012	Early 2010	Mid-2012	Early 2010	Mid-2012	Early 2010	Mid-2012	Early 2010	Mid-2012	Early 2010	Mid-2012	Completed
Conference Building	Mid-2009	Mid-2011	Mid-2009	Mid-2011	Late 2009	Late 2011	Early 2010	Early 2012	Early 2010	Late 2012	Early 2010	Late 2012	Early 2010	Early 2013	Early 2010	Early 2013	Early 2010	Early 2013	Early 2010	Early 2013	Early 2010	Early 2013	Completed
General Assembly Building	Mid-2011	Mid-2013	Mid-2011	Mid-2013	Late 2011	Late 2013	Early 2012	Late 2013	Early 2013	Mid-2014	Early 2013	Mid-2014	Mid-2013	Mid-2014	Mid-2013	Mid-2014	Mid-2013	Mid-2014	Mid-2013	Mid-2014	Mid-2013	Mid-2014	Completed
South Annex Building	Early 2011	Early 2012	Early 2011	Early 2012	Late 2011	Early 2013	Early 2012	Mid-2013	–	–	–	–	–	–	–	–	–	–	–	–			Suspended
Dag Hammarskjöld Library Building	Early 2012	Early 2013	Early 2012	Early 2013	Early 2013	Late 2013	Early 2012	Late 2013	–	–	–	–	–	–	–	–	–	–	–	–			Suspended
Completion of renovation of United Nations Headquarters	Early 2008	Mid-2013	Early 2008	Mid-2013	Late 2008	Late 2013	Mid-2008	Late 2013	Mid-2008	Mid-2014	Mid-2008	Mid-2014	Mid-2008	Late 2014	Late 2008	Late 2014	Late 2008	Late 2014	Late 2008	Late 2014	Late 2008	Late 2014	Completed
Closure of the Office of the Capital Master Plan and handover to the Office of Central Support Services															–	Mid-2015		Mid-2015		July 2015		July 2015	Completed
Demolition of temporary North Lawn Conference Building															Early 2015	Late 2015	Late 2015	Late 2016	Late 2015	Mid-2016	Mid-2016	Mid-2016	Completed
Landscaping of North Lawn															Early 2015	Late 2015	Late 2015	Late 2016	Late 2015	Late 2016[a]	Late 2016	Mid-2017[b]	Completed
Security-related work at 42nd and 48th Streets															Early 2015	Late 2016	Late 2015	Late 2016	Late 2015	Late 2016[a]	Late 2016	Mid-2017[b]	Completed

[a] Substantial completion.
[b] Final completion.

II. Remaining activities

16. At the time of the submission of the present report, all construction work had been completed for all scopes and subcomponents of the capital master plan project and all invoices and accounts had been reconciled and paid with the exception of the five following contracts, the final payments for which are expected to be paid by December 2017:

(a) Coordination agreement with the construction management company;

(b) Construction work in relation to the demolition and landscaping work;

(c) Construction work in connection with the security-related work at the 42nd and 48th Street entrances;

(d) Project management company;

(e) Design and engineering company.

III. Implementation of the recommendations of the Board of Auditors

17. The Board of Auditors continued its audit work following the issuance of the previous annual progress report. The Board audited the capital master plan project from 13 March to 7 April 2017.

18. In its annual report on the audit of the capital master plan for the 12-month period ended 31 December 2016 (A/72/5 (Vol. V)), the Board concluded that: "The capital master plan is in its final phase after nearly 15 years and an investment of $2,309.3 million. All major procurement actions have been finalized, major construction works are complete, residual works are in progress and the administrative close-out of completed contracts continues".

19. In the context of the management of the campus, the Board noted that the Administration had advised that, owing to staffing and budget constraints, the proposed frequency of some of the maintenance actions had been reduced. The Board observed that the human resources available for basic preventive maintenance were inadequate and that internal controls with respect to the safeguarding of assets should be improved.

20. In the context of long-term asset management, the Board noted that the United Nations planned to move away from its traditional reactive approach towards a proactive maintenance approach. The Board expressed its view that there was a need to expedite efforts to optimize the maintenance approach so as to ensure that the United Nations would derive maximum value from the investments in its capital assets.

21. In the context of maximizing the benefits of the renovated campus, the Board recognized that there had been a significant reduction in energy consumption and observed that there was scope for further improving efficiency gains.

22. In the context of the protection of assets, the Board recommended that the Administration take steps to strengthen the internal controls for the protection of assets and their proper recording and monitoring.

23. With respect to accessibility, the Board noted that, under the capital master plan, accessibility elements had been implemented and that the effectiveness of those measures should be validated by the users.

24. The Board indicated that, of the 12 outstanding recommendations for the period ended 31 December 2015, 2 (17 per cent) had been implemented and 10 (83 per cent) were under implementation.

25. The Board's recommendations for the period ended 31 December 2016 were focused on six primary areas:

(a) Operationalizing the Umoja plant maintenance module;

(b) Strengthening internal controls for the protection of assets;

(c) Improving the reporting of the Energy Dashboard and Reporting Tool;[1]

(d) Improving energy efficiency;

(e) Assessing the effectiveness of the accessibility features;

(f) Monitoring productivity gains while ensuring a reduction in space requirements.

26. The Secretariat accepted all the recommendations of the Board and has committed itself to their full implementation.

IV. Benefits of the capital master plan

27. The thirteenth and fourteenth progress reports included comprehensive information on the benefits that the capital master plan had delivered in line with the relevant resolutions and the mandate from Member States.

28. The capital master plan addressed numerous deficiencies that had been left untreated and had accumulated over the years. The plan provided a newly renovated facility that is accessible to all individuals, energy efficient, free of hazardous materials and compliant with the building, fire and safety codes of the host city and that meets all reasonable, modern-day security requirements.

29. The fourteenth progress report included additional details on the reduction in energy consumption and monetary savings. Updated data on energy consumption are provided in table 2.

Table 2
Comparison of energy consumption between 2006 and 2017

		Usage (kBTU)[a]		
	Period	*Steam*	*Electricity*	*Total*
Pre-capital master plan (2006-2007)	2006	400 517 070 000	151 946 050	**400 669 016 050**
	2007	543 788 070 000	154 376 554	**543 942 446 554**
Post-capital master plan (2015)	2015	95 515 200 000	145 413 981	**95 660 613 981**
	Percentage reduction (2006 to 2015)	76.15	4.30	**76.12**
Post-capital master plan (2016)	2016	95 477 911 500	131 072 662	**95 608 984 162**
	Percentage reduction (2006 to 2016)	76.16	13.74	**76.14**

[1] The Energy Dashboard and Reporting Tool is used to monitor energy consumption and report on energy efficiency.

	Period	Usage (kBTU)[a]		
		Steam	Electricity	Total
Post-capital master plan (2017)	January to June 2017	54 637 440 000	63 135 648	**54 700 575 648**
	Estimated from July to December 2017	43 970 244 000	66 342 928	**44 036 586 928**
	Total estimated in 2017	98 607 684 000	129 478 576	**98 737 162 576**
	Percentage reduction (2006 to 2017)	75.38	14.79	**75.36**

[a] Thousand British thermal units.

30. In 2015, following the implementation of the capital master plan, the total energy consumption was reduced substantially, by more than 75 per cent compared with the total consumption in 2006, prior to the plan's implementation. The reduction in energy consumption was consistent and a similar reduction was achieved in 2016 and 2017.

31. With respect to monetary benefits and savings, there is no linear correlation between the reduction in energy consumption and cost savings, owing to increases in the unit costs of energy and the difference in the rates of electricity and steam.

32. Furthermore, while the newly renovated buildings require less overall maintenance and repair, the newly installed sophisticated systems and equipment require more consistent and costly servicing. In order to maintain the new systems, high levels of technical expertise are required, which the Secretariat does not possess in-house. There is, therefore, a need to retain the services of specialized commercial vendors. In addition, as stipulated in the vendor operations and maintenance manuals, the new systems require more robust and frequent maintenance checks on a regular basis, not only when there is a failure and/or malfunction.

33. Updated data on the costs and monetary savings are provided in table 3.

Table 3
Cost of utilities from 2006 to 2017

(United States dollars)

Description	*2006-2007*	*2008-2009*	*2010-2011*	*2012-2013*	*2014-2015*	*2016*	*2017 estimated*
Electricity	14 536 322	17 301 357	19 337 005	17 501 881	15 983 467	7 150 014	6 162 060
Steam	18 696 194	14 592 256	9 007 534	5 261 620	4 424 149	1 787 482	2 471 200
Water	2 604 228	2 010 285	1 815 000	1 186 000	1 232 292	478 366	591 908
Gas and other utilities	65 739	52 871	230 513	86 598	140 600	24 769	35 350
Total	**35 902 483**	**33 956 769**	**30 390 051**	**24 036 099**	**21 780 508**	**9 440 631**	**9 260 518**

34. The actual cost of all utilities (electricity, steam, water, gas and other) of the Headquarters complex in New York has been reduced by more than 39 per cent ($14.1 million) over the past five bienniums, from $35.9 million to $21.8 million, as shown in table 3. The cost is expected to be reduced further in the present biennium 2016-2017, to about $18.7 million. Such additional savings of approximately $3 million represent an incremental 14 per cent reduction compared with the

previous biennium and an overall reduction of 47.9 per cent compared with the biennium 2006-2007.

35. It should be noted in this regard that the resources for utilities approved by the General Assembly in its resolution 70/247 for the biennium 2016-2017 amount to $14.8 million, representing a reduction of 42 per cent compared with the previous biennium.

V. Financial status of the capital master plan

A. Status of assessments and sources of funding for the capital master plan

36. The total approved funding for the capital master plan project amounts to $2,150.4 million, comprising appropriations for the original project scope of $1,876.7 million, donations of $14.3 million, interest income and the plan's working capital reserve, amounting to $159.4 million and funding of $100.0 million for the enhanced security upgrades.

37. All approved funding in the amount of $2,150.4 million has been applied in full to the renovation activities so as to meet contractual obligations as they fall due for payment.

38. Table 4 compares the total approved funding for the capital master plan project with the expected cost for the completion of the project.

Table 4
Comparison of the funding for the capital master plan project and the expected cost to completion, as at 31 July 2017

(Millions of United States dollars)

Description	*Amount*	*References*
Total appropriations from 2004 to 2011	1 876.7	Resolutions 57/292, 59/295, 60/248, 60/256, 60/282, 61/251, 62/87 and 64/228
Voluntary contributions	14.3	Received under the capital master plan donations programme
Use of interest income and the capital master plan working capital reserve	159.4	Resolutions 66/258, 67/246 and 68/247 A
Funding for the enhanced security upgrades	100.0	Contribution by the host country
Total funding available	**2 150.4**	
Project cost of original renovation (excluding Dag Hammarskjöld Library Building and the South Annex Building) and scope requested under the donations programme	2 050.4	
Cost of enhanced security upgrades	100.0	
Total project cost to completion	**2 150.4**	

B. Interest income, working capital reserve and cash balance

39. The estimated amount of interest to be accrued on the balance of the capital master plan funds is expected to be $114.4 million by the time of the financial close-out of the project. In accordance with section IV of General Assembly

resolution 68/247 A, the balance of the interest income and the working capital reserve is applied to the remaining cash balance of the plan.

C. Capital master plan project expenditure and requirements for the remaining project period

40. The estimated final cost of the capital master plan project remains unchanged at $2,150.4 million. As at 31 July 2017, cumulative expenditure incurred amounted to $2,148.1 million, indicating that 99.9 per cent of the estimated cost to completion has been expended and committed. The latest status of the plan's expenditure and remaining requirements is summarized in table 5.

Table 5
Capital master plan project expenditure and requirements until completion, as at 31 July 2017
(Thousands of United States dollars)

	Expenditure	*Remaining requirements*	
Description	*From project inception to June 2017*	*From July to December 2017*	*Total*
Capital master plan project			
Design contractual services	168 828.50	–	168 828.50
Staff costs for the Office of the Capital Master Plan	33 795.55	115.05	33 910.60
Support staff costs	15 903.50	–	15 903.50
Operating and other costs	13 619 30	1 180.00	14 799.30
Programme management and other consultants	56 172.70	–	56 172.70
Construction and pre-construction	1 413 331.70	1 017.10	1 414 348.80
Swing space costs (including rent)	554 600.80	–	554 600.80
Subtotal	**2 256 252.05**	**2 312.15**	**2 258 564.20**
Prior-period adjustments	9 204.00	–	9 204.00
Adjusted project expenditure	**2 265 456.05**	**2 312.15**	**2 267 768.20**
Savings from cancellation of obligations	(217 385.20)	–	(217 385.20)
Subtotal	**2 048 070.85**	**2 312.15**	**2 050 383.00**
Enhanced security upgrade project	100 000.00	–	100 000.00
Total, capital master plan project expenditure	**2 148 070.85**	**2 312.15**	**2 150 383.00**

41. Table 5 shows that the requirements for the project from July to December 2017 are estimated at $2,312,150. The remaining requirements include the following:

(a) A staff member for a six-month period for the management and administration of the remaining activities ($115,050);

(b) Operating and other costs consisting of outside legal counsel ($1,000,000) and the cost of the Board of Auditors ($180,000);

(c) Work on the 42nd and 48th Street entrances ($1,017,100).

42. No potential increases in project costs or changes in the volume and scope of the work are currently expected.

43. The total cost of the interim solutions and residual construction work remains in accordance with the forecast of $49 million.

44. The cost of the residual work (demolition and landscaping, and security-related work at the 42nd and 48th Street entrances) increased by $1.2 million, from $36.1 million to $37.3 million. The increase was offset internally by the savings made as a result of the completion of the interim solutions. The cost breakdown for these subcomponents is summarized in table 6.

Table 6
Cost breakdown of interim solutions and residual work
(United States dollars)

Description	*Estimated cost in 2015*	*Estimated cost in 2016*	*Estimated cost in 2017*
Interim solutions			
Three new food services	5 000 000	4 300 000	3 600 000
Dag Hammarskjöld Library Building	4 000 000	3 100 000	2 800 000
Classrooms in the third basement area of the North Lawn Building	5 000 000	5 100 000	5 300 000
Subtotal, interim solutions	**14 000 000**	**12 500 000**	**11 700 000**
Residual work			
Demolition and landscaping	20 000 000	19 000 000	19 400 000
42nd and 48th Street entrances	15 000 000	17 100 000	17 900 000
Subtotal, residual work	**35 000 000**	**36 100 000**	**37 300 000**
Total	**49 000 000**	**48 600 000**	**49 000 000**

VI. Arbitration

45. The Organization is a party to two ongoing arbitrations relating to the capital master plan that were brought against the construction manager, Skanska, by its subcontractors.

46. The first arbitration arose as a result of an arbitration brought against Skanska by its electrical subcontractor, in which the subcontractor claims that it is owed tens of millions of dollars for the work it performed under several contracts with Skanska as part of the capital master plan. Although Skanska has denied the subcontractor's claims in their entirety, Skanska itself claims that if it were found to owe any additional sums to its subcontractor, the liability for such sums should be passed on to the United Nations. The United Nations disputes Skanska's characterization of its rights under the relevant contracts, and the dispute is currently before an arbitral panel, as required under such contracts. Formal proceedings before the arbitral tribunal have only recently begun and are procedurally complicated. The Office of Legal Affairs, with the help of outside counsel, is vigorously defending the interests of the Organization in this matter.

47. The second arbitration arose as a result of an arbitration brought against Skanska by its mechanical systems contractor, in which the subcontractor claims that it is owed in excess of $4 million for work it performed under several contracts with Skanska as part of the capital master plan. Although Skanska has denied the

subcontractor's claims, Skanska itself claims that if it were found to owe any additional sums to its subcontractor, the liability for such sums should be passed on to the United Nations.

48. The United Nations disputes Skanska's characterization of its rights under the relevant contracts. An arbitral tribunal has not yet been formed. The Office of Legal Affairs, with the help of outside counsel, is vigorously defending the interests of the Organization in this matter.

VII. Associated costs and the secondary data centre

49. The overall associated cost expenditure amounts to $139.7 million. The cost of the secondary data centre amounts to $19.2 million.

50. The associated costs and the cost of the secondary data centre have been funded from $4.2 million relating to the secondary data centre from the support account for peacekeeping operations and $154.7 million in accordance with section VIII, paragraph 16, of General Assembly resolution 69/274.

VIII. Consolidated expenditure and requirements

51. The final consolidated requirements of the capital master plan amount to $2,305.1 million, or $2,309.3 million if the portion funded by the support account for peacekeeping operations is taken into consideration. Details are provided in table 7.

Table 7
Consolidated expenditure as at 31 July 2017 and projected requirements until December 2017

(Millions of United States dollars)

Description	*From project inception to June 2017*	*From July to December 2017*	*Total*
Project costs			
Capital master plan project	2 048.1	2.3	2 050.4
Enhanced security upgrade	100.0	–	100.0
Subtotal	**2 148.1**	**2.3**	**2 150.4**
Non-project costs			
Associated costs	139.7	–	139.7
Secondary data centre	15.0	–	15.0
Subtotal	**154.7**	**–**	**154.7**
Consolidated total	**2 302.8**	**2.3**	**2 305.1**
Portion of secondary data centre funded from the support account for peacekeeping operations	4.2	–	4.2
Consolidated total, including portion funded from the support account for peacekeeping operations	**2 307.0**	**2.3**	**2 309.3**

52. Financial statements regarding the project activities and expenditure for the 2017 financial period will be completed, consolidated and finalized in March 2018

by the Office of Programme Planning, Budget and Accounts, following established financial reporting processes, in compliance with the Financial Regulations and Rules of the United Nations. It is anticipated that the financial close-out of the capital master plan project will be conducted in 2017 and 2018, following which it is the intention of the Secretary-General to submit a sixteenth and final report to the General Assembly. Should there be any residual balance or savings from the project funds, the amounts will be reported in the final financial statements and a proposal on how the amounts may be returned to Member States will be included in the sixteenth and final report of the Secretary-General.

IX. Actions to be taken by the General Assembly

53. **The Secretary-General recommends that the General Assembly:**

(a) **Note the progress made since the issuance of the fourteenth annual progress report;**

(b) **Request the Secretary-General to submit the sixteenth and final progress report of the project and the aggregate cost to completion at the main part of the seventy-third session of the General Assembly.**

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Review of the efficiency of the administrative and financial functioning of the United Nations

Activities of the Independent Audit Advisory Committee for the period from 1 August 2016 to 31 July 2017

Report of the Independent Audit Advisory Committee

Summary

The present report covers the period from 1 August 2016 to 31 July 2017. During the period, the Independent Audit Advisory Committee held four sessions, which were presided over by Maria Gracia Pulido Tan (Philippines) as Chair and J. Christopher Mihm, Jr. (United States of America) as Vice-Chair. As has been the case during the history of the Committee, all members attended all of the sessions during their appointments.

Section II of the report contains an overview of the activities of the Committee, the status of its recommendations, and its plans for 2018. Section III sets out the detailed comments of the Committee.

* A/72/150.

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Contents

		Page
I.	Introduction	3
II.	Activities of the Independent Audit Advisory Committee	3
	A. Overview of the sessions of the Committee	3
	B. Status of the recommendations of the Committee	4
	C. Overview of the plans of the Committee for 2018	5
III.	Detailed comments of the Committee	6
	A. Status of the recommendations of United Nations oversight bodies	6
	B. Risk management and internal control framework	8
	C. Effectiveness, efficiency and impact of the audit activities and other functions of the Office of Internal Oversight Services	12
	D. Financial reporting	18
	E. Coordination among United Nations oversight bodies	22
	F. Cooperation and access	23
IV.	Conclusion	23

I. Introduction

1. The General Assembly, by its resolution 60/248, established the Independent Audit Advisory Committee as a subsidiary body to serve in an expert advisory capacity and to assist it in fulfilling its oversight responsibilities. By its resolution 61/275, the Assembly approved the terms of reference for the Committee, as well as the criteria for its membership, as contained in the annex to that resolution. In accordance with its terms of reference, the Committee is authorized to hold up to four sessions per year. To date, the Committee has held 39 sessions since its inception in January 2008.

2. In accordance with its terms of reference, the Committee submits an annual report containing a summary of its activities and related advice to the General Assembly. The present tenth annual report covers the period from 1 August 2016 to 31 July 2017.

3. The Committee is also required to advise the General Assembly, inter alia, on the compliance of management with audit and oversight bodies' recommendations; the overall effectiveness of the risk management procedures and deficiencies in the internal control systems; the operational implications of the financial statements and the reports of the Board of Auditors; and the appropriateness of the accounting and disclosure practices in the Organization. The Committee also advises the Assembly on the steps necessary to facilitate cooperation among the oversight bodies.

4. The present report addresses the issues identified during the reporting period as they pertain to the above-mentioned responsibilities of the Committee.

II. Activities of the Independent Audit Advisory Committee

A. Overview of the sessions of the Committee

5. During the reporting period, the Committee held four sessions: from 28 to 30 November 2016 (thirty-sixth session), from 15 to 17 February 2017 (thirty-seventh session), from 19 to 21 April 2017 (thirty-eighth session) and from 24 to 26 July 2017 (thirty-ninth session). Three of the sessions were held at United Nations Headquarters. The thirty-eighth session was held at the United Nations Office at Vienna.

6. The Committee functions under its adopted rules of procedure, as contained in the annex to its first annual report (A/63/328). To date, all members of the Committee have a 100 per cent attendance rate at its sessions. All the decisions of the Committee have been unanimous; however, its rules of procedure make provision for members to record their dissent with respect to decisions taken by the majority.

7. During the thirty-sixth session, in November 2016, the members elected Maria Gracia Pulido Tan (Philippines) as Chair and J. Christopher Mihm, Jr. (United States of America) as Vice-Chair for 2017. Additional information about the Committee can be found on its website (www.un.org/ga/iaac) in all the official languages of the United Nations.

8. During the reporting period, the Committee issued three reports. They include the Committee's annual report to the Assembly for the period from 1 August 2015 to 31 July 2016 (A/71/295); and reports to the Assembly, through the Advisory Committee on Administrative and Budgetary Questions, on the proposed budget of the Office of Internal Oversight Services (OIOS) under the support account for peacekeeping operations for the period from 1 July 2017 to 30 June 2018

(A/71/800) and on the proposed programme budget for internal oversight for the biennium 2018-2019 (A/72/85).

B. Status of the recommendations of the Committee

9. The Committee meets four times per year, typically for three days at each session. During the reporting period, several issues, particularly in relation to enterprise risk management and the operations of OIOS, were addressed. The Committee followed up on the implementation of its recommendations as a standard agenda item at each session. Some of the significant recommendations made by the Committee during the reporting period relate to:

(a) The need to continue to reduce the number of past due critical recommendations issued by OIOS;

(b) The need for OIOS to reach out to stakeholders to ensure that there is a clear understanding as to how audit reports and recommendations are developed;

(c) The need for senior managers to ensure that enterprise risk management becomes the standard way of doing business and that it is effectively implemented and sustained throughout the Organization;

(d) The need for the Organization to fully assess and manage the risks associated with extrabudgetary funding;

(e) The need for OIOS to finalize the guidelines and protocols when advising management and when making statements about situations that may be subject to audit or investigation;

(f) The need for a central intake system for investigations, which would help with the completeness and accuracy of reporting all allegations of wrongdoing, including fraud and presumptive fraud;

(g) The need for OIOS to pull together the work of its three divisions in identifying the specific set of management controls that need to be in place from the outset of a peacekeeping mission, which would better allow the Organization to stop sexual exploitation and abuse before it occurs;

(h) The need for a comprehensive review of OIOS, which would help, inter alia, to ensure that the widespread and significant concerns about the operations, internal working relationships and effectiveness of the Investigations Division would be resolved;

(i) The need for OIOS to ensure that the workplans of the respective divisions are guided by the Organization's enterprise risk management strategy;

(j) The need for the Organization to develop the capacity to manage Umoja and use its outputs to make decisions;

(k) The need for management to continue to educate and provide guidance to managers and all affected staff on the importance of strong internal controls;

(l) The need for a coordinated strategy to bring together the collective work of the oversight bodies in one place so that decision makers have a complete picture of the contributions of the United Nations system towards the implementation of the 2030 Agenda for Sustainable Development.

C. Overview of the plans of the Committee for 2018

10. The Committee undertook its responsibilities, as set out in its terms of reference, in accordance with the scheduling of the sessions of the Advisory Committee on Administrative and Budgetary Questions and the General Assembly. The Committee will continue to schedule its sessions and activities to ensure coordinated interaction with intergovernmental bodies and the timely availability of its reports. In a preliminary review of its workplan, the Committee identified several key areas that will be the main focus for each of its four sessions for fiscal year 2018 (see the table below).

Workplan of the Committee from 1 August 2017 to 31 July 2018

Session	*Key focus area*	*Intergovernmental consideration of the report of the Committee*
Fortieth	Review of the 2018 workplan of OIOS in the light of the workplans of other oversight bodies	Advisory Committee on Administrative and Budgetary Questions, first quarter 2018
	Proposed budget of OIOS under the support account for peacekeeping operations for the period from 1 July 2018 to 30 June 2019	General Assembly, second part of the resumed seventy-second session
	Operational implications of issues and trends in the financial statements and reports of the Board of Auditors	
	Coordination and cooperation among oversight bodies, including hosting a coordination meeting of oversight committees	
	Election of the Chair and Vice-Chair for 2018	
Forty-first	Status of implementation of oversight bodies' recommendations	General Assembly, second part of the resumed seventy-second session
	Report of the Committee on the OIOS support account budget	
	Review of the enterprise risk management and internal control framework in the Organization	
Forty-third	Operational implications of issues and trends in the financial statements and reports of the Board of Auditors	General Assembly, second part of the resumed seventy-second session
	Coordination and cooperation among oversight bodies	
	Transformational projects and other emerging issues	
Forty-fourth	Preparation of the annual report of the Committee	General Assembly, main part of the seventy-third session
	Review of the enterprise risk management and internal control framework in the Organization	
	Status of implementation of oversight bodies' recommendations	
	Coordination and cooperation among oversight bodies	

11. In planning its work, the Committee is mindful of the following relevant events that could have an impact on its work activities:

(a) The various reform/transformational initiatives on which the Organization has embarked, such as mobility, the global service delivery model and Umoja;

(b) The end of the terms of office of two of the five members of the Committee, whose three-year terms expire in December 2017.

III. Detailed comments of the Committee

A. Status of the recommendations of United Nations oversight bodies

12. Under paragraph 2 (b) of its terms of reference, the Committee is mandated to advise the General Assembly on measures to ensure the compliance of management with audit and other oversight recommendations. During the reporting period, the Committee reviewed the status of the implementation by management of the recommendations of United Nations oversight bodies, as a standard practice.

Board of Auditors

13. With respect to the financial report and audited financial statements for the year ended 31 December 2016 (A/72/5 (Vol. I)) (non-peacekeeping financial statements), the Board of Auditors reported that the percentage of implementation of its extant recommendations had increased from 9 per cent in 2015 to 18 per cent in 2016 and that preliminary steps had been taken towards the implementation of nearly 67 per cent of the outstanding recommendations. The Board noted, however, that that progress was not adequate. According to the Board, as at 31 December 2016, of the 98 extant recommendations, 17 (18 per cent) had been fully implemented, 66 (67 per cent) were under implementation, 10 (10 per cent) had not been implemented and 5 (5 per cent) had been overtaken by events.

14. The Board also noted a difference in the status of implementation of its recommendations as reported by the Secretariat vis-a-vis the Board's judgement of the status of implementation. This difference pertains to the Secretariat categorizing recommendations as "in progress" while the Board considers them as "not implemented". The Administration indicated that it was taking steps to ensure the prompt implementation of all outstanding oversight recommendations.

15. With respect to the financial report and audited financial statements for the 12-month period from 1 July 2015 to 30 June 2016 (A/71/5 (Vol. II)) (peacekeeping financial statements), the Board of Auditors reported that the rate of implementation of recommendations for the 12-month period from 1 July 2014 to 30 June 2015 stood at 49 per cent, a slight decrease from the 52 per cent reported for the previous year.

16. The Board reviewed the status of old recommendations for all United Nations entities under its purview and noted that the overall rate of implementation of the old recommendations had increased to 45 per cent in 2016 compared with 43 per cent in 2015. However, in paragraph 103 of its concise summary report (A/72/176), the Board expressed its concern about the number of recommendations pending for more than two years. Overall, the Board reported that 53 recommendations were pending for more than two years, which was 9 per cent of the total recommendations outstanding as at the year ended 31 December 2015. According to the Board, the administrations of all the United Nations entities concerned need to work more seriously towards implementing the old recommendations.

17. **The Committee urges the Administration to continue making efforts to ensure timely implementation of the Board's recommendations.**

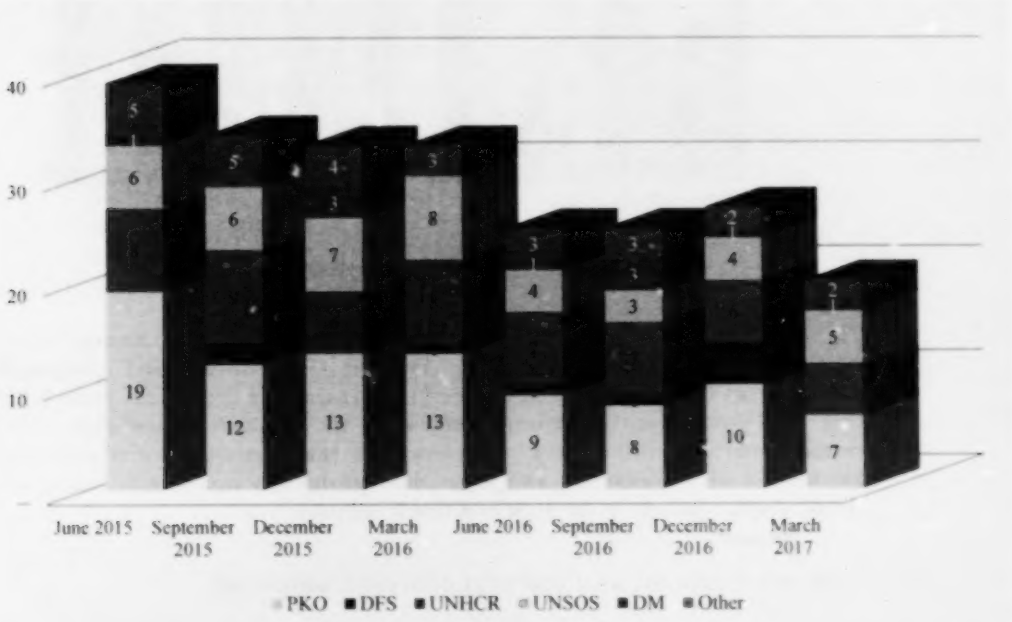
Office of Internal Oversight Services

18. All recommendations categorized as "critical" by OIOS are brought to the attention of the Management Committee for follow-up action, and special focus is placed on recommendations whose implementation is past due. The Committee receives quarterly updates from OIOS and the Department of Management on the status of implementation of critical recommendations. According to management, the total number of outstanding critical recommendations decreased from 49 at the end of the second quarter of 2016 to 38 as at the end of the first quarter of 2017.

19. The Committee continues to follow up with management on the implementation of past due critical recommendations. As shown in figure I, of the 38 outstanding critical recommendations referenced above, 20 were past due. The largest share of OIOS past due critical recommendations continues to be in peacekeeping missions.

Figure I

Trend analysis of critical recommendations of the Office of Internal Oversight Services the implementation of which is past due



Abbreviations: DFS, Department of Field Support; DM, Department of Management; PKO, peacekeeping operations; UNHCR, Office of the United Nations High Commissioner for Refugees; UNSOS, United Nations Support Office in Somalia.

20. **The Committee notes the progress made in reducing the number of past due critical recommendations. The Committee also notes that there has been a downward trend with respect to the number of outstanding critical recommendations issued by OIOS.**

Joint Inspection Unit

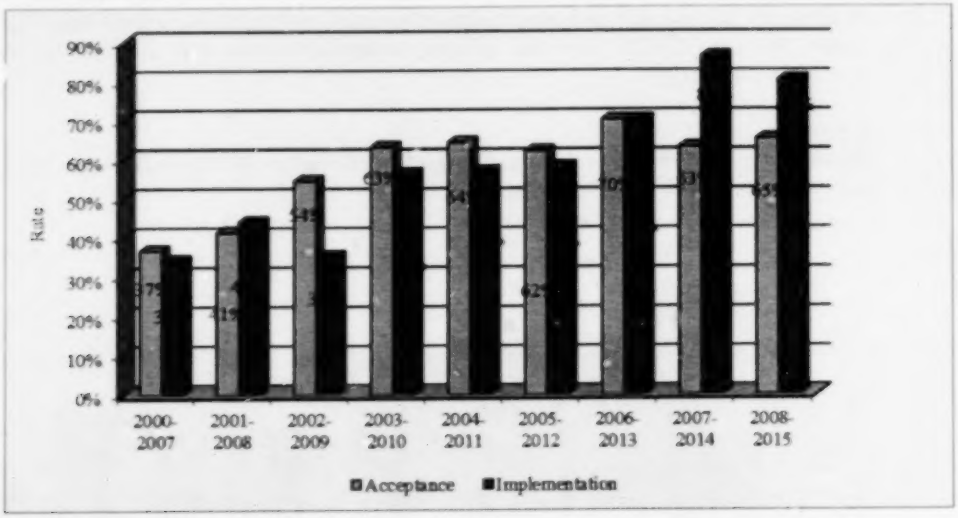
21. In its annual report for 2016 and programme of work for 2017 (A/71/34), the Joint Inspection Unit noted an improvement in the rates of acceptance and implementation of its system-wide recommendations by the 12 largest participating

organizations, which reflected an average acceptance rate of 81 per cent and an average implementation rate of 88 per cent for the period 2008-2015.

22. For the United Nations Secretariat, the average acceptance rate increased to 65 per cent for the period 2007-2014 compared with 63 per cent for the previous period. However, the implementation rate decreased to 80 per cent for the 2008-2015 period, compared with 86 per cent for the 2006-2013 period (see figure II).

Figure II

Status of acceptance/implementation by the Secretariat of recommendations of the Joint Inspection Unit



23. **The Committee notes the importance and value that the recommendations of the Joint Inspection Unit have for the Organization and commends management for the effort it has made in improving the acceptance rate. While there has been progressive improvement in the implementation rate of the recommendations of the Joint Inspection Unit, the Committee notes that there has been a slight reduction and urges management to continue to implement the recommendations of the Unit in a timely manner.**

B. Risk management and internal control framework

24. Paragraphs 2 (f) and (g) of the terms of reference of the Committee mandate the Committee to advise the General Assembly on the quality and overall effectiveness of risk management procedures and on deficiencies in the internal control framework of the United Nations.

Enterprise risk management

25. The Committee continued to commend the Management Committee, which serves as the enterprise risk management committee, for its commitment in making enterprise risk management an integral and important management tool of the Organization and emphasized that top management was needed to continue to actively lead enterprise risk management efforts to ensure that identifying and managing risks became standard ways of doing business across the Organization. Moreover, in paragraph 37 of document A/71/295, the Committee noted that working groups together with risk treatment and response plans had been approved

by the Management Committee to mitigate each of the six critical enterprise risks endorsed by the Secretary-General in September 2014.

26. While progress had been made by the working groups in managing the six critical enterprise risks, the Board of Auditors, in paragraph 295 of document A/71/5 (Vol. I), noted that the progress was at a slower pace than the Administration had planned.

27. **The Committee agrees with the Board's recommendation that the administration reassess the realism of the timelines set out in the risk action plans approved in June 2015. The timeliness of the risk treatment plans is all the more important given that enterprise risk assessments are living documents that continue to evolve. The action plans developed five years ago could now be in need of significant updating.**

28. Developing the capacity to effectively implement and sustain enterprise risk management has also been a long-standing issue of the Committee. To support the implementation of enterprise risk management, management informed the Committee that a guide for managers had been developed. The guide included tools and templates delineating how departments and offices could implement an effective enterprise risk management framework based on common policy and methodology. Additionally, the Committee was informed that enterprise risk management continued to be supported by a comprehensive communications programme, including an e-learning course available to all staff in Inspira (the personnel management system).

29. In discussions with the Board, the Committee was informed that the Board was concerned that while progress was being made, there remained no firm plan or commitment to embed enterprise risk management at all levels of the Organization. Therefore, the Board noted that there was a growing risk that without concentrated action, the implementation of enterprise risk management across the United Nations could stall or fail.

30. **The Committee agrees with the recommendations of the Board that the Administration develop a detailed implementation plan for all elements of enterprise risk management that sets out a clear timetable, milestones, deliverables, resource requirements and accountability. Furthermore, the Committee reiterates its previous recommendations that top management actively lead enterprise risk management efforts and ensure that departments and offices have the capacity they need to effectively implement and sustain enterprise risk management. The Committee will continue to follow up on this as a major priority.**

31. During subsequent discussions with Management, the Committee was informed that resource constraints continued to be a challenge to the effective implementation of enterprise risk management given that there was only one dedicated post to coordinate enterprise risk management in the Secretariat. **The Committee in its previous reports had supported an adequately resourced enterprise risk management function and continues to recommend that enterprise risk management be adequately resourced.**

Risk champions

32. In paragraphs 31 to 36 of document A/67/259, the Committee reported on various departments (risk champions) that had systematically embedded risk in their respective programmes, such as the Department of Field Support and the Office for the Coordination of Humanitarian Affairs. The Committee indicated that OIOS and the Department of Management (with the exception of some offices) did not have a

systematic risk management system in place. The Committee reported in document A/69/304 that OIOS, in coordination with the Department of Management, had embarked on a risk management process for its own internal operations. As a follow-up, the Committee was informed that in early 2017, OIOS had convened its senior management team for a workshop to discuss the strategic goals of OIOS, with a corresponding action plan and time frame. According to OIOS, many of the key actions touched upon at the workshop were reflected in the OIOS risk assessment framework, and OIOS plans to revise the risk assessment in the third quarter of 2017 to reflect the most up-to-date objectives and status of each action item. During this process, the Office will also ensure that its enterprise risk management framework is consistent with the updated enterprise risk management guide for managers issued by the Department of Management in January 2017.

33. **The Committee notes that five years after the first recommendation was made, OIOS has not fully embedded enterprise risk management in the Office. The Committee remains concerned at the slow process by which OIOS is implementing enterprise risk management and calls upon the Office to lead by example.**

Extrabudgetary funding and management

34. In paragraph 42 of document A/70/284, the Committee stated that it planned to delve more deeply into one or more of the six enterprise risks identified by the Secretariat for a detailed assessment of what was being done and what could be done to better manage the risk. During the 2015-2016 reporting period, the Committee focused on extrabudgetary funding and management and noted in paragraph 57 of document A/71/295 that it would continue to monitor that risk.

35. Previously, management had informed the Committee that its risk register defined the risk of extrabudgetary funding and management as follows:

(a) The inability to obtain extrabudgetary funding may have an impact on the ability of certain departments to achieve their objectives;

(b) Reliance upon extrabudgetary funding may jeopardize or appear to impact the independence of the United Nations because projects that obtain earmarked funding may be given higher priority;

(c) There is an inability to identify, establish and maintain the optimal structure and controls for trust funds, resulting in a loss or misuse of assets.

36. Furthermore, the Committee was informed by the Controller, who is the risk owner, that a working group, which had been established in November 2014, initially focused on internal controls.

37. As a follow-up, the Committee was informed that in order to comply with paragraph 5 of General Assembly resolution 70/255, the High-level Committee on Management had created a task force on common definitions relating to fraud and implementing partners. The task force, which consisted of members from across the entire United Nations system and was co-chaired by the Director of the Accounts Division of the Office of Programme Planning, Budget and Accounts and the Director of the Division of Financial and Administrative Management of the Office of the United Nations High Commissioner for Refugees, would also develop a common understanding with a view to establishing partnership arrangements with implementing partners.

38. The Committee was informed that the task force had agreed on a common definition in March 2017. For the remainder of 2017, the Committee was informed that the task force, in coordination with the Finance and Budget Network, would

also explore common internal control parameters and criteria for arrangements with implementing partners and recipients of grants, and best practice principles. The next stage in the process would be to develop sharing platforms for tracking and managing implementing partners (based on existing tools used by organizations).

39. **The Committee notes the progress made in managing the extrabudgetary risk of the Organization, especially as it relates to the inability to identify, establish and maintain the optimal structure and controls for trust funds, resulting in a loss or misuse of assets. The Committee reiterates its previous recommendation that given the reality of the need to rely on extrabudgetary funding, the Organization needs to fully assess and manage all three aspects of the risks associated with extrabudgetary funding. Part of that assessment should include new organizational arrangements and capacity within the Secretariat that may be needed and a clear delineation of the risk owners and their respective responsibilities.**

Information and communication technology strategy, infrastructure and security

40. According to the current Secretariat risk register, information and communication technology (ICT) strategy, infrastructure and security are considered a "very high risk". The risk is defined as: "the ICT strategies ... are not aligned with the overall strategy and operating objectives of the Organization, nor appropriately coordinated. Failure of information systems to adequately protect the critical data and infrastructure from theft, corruption, unauthorized usage, viruses, or sabotage".

41. In November 2016, the Committee hosted a meeting of the Chairs and Vice-Chairs of the United Nations system oversight committees. At that meeting, the representatives identified, inter alia, the risks associated with cybersecurity in a digitalized environment as an area of focus and agreed to challenge management on its understanding and readiness. Big data analysis, intelligent learning systems, data visualization techniques and increased data analytical capability were highlighted as critical areas. They also agreed that oversight committees had an important role to play in encouraging and assisting management in taking a forward look at how technological advances and other changes in the business or wider environment might impact an organization's risk exposure and in identifying potential strategies for dealing with them.

42. To gain a better idea of how the Organization was managing such risk, the Committee held discussions with the Chief Information Technology Officer. The Committee was informed that cybersecurity was not being given due attention. According to the Chief Information Technology Officer, most organizations spend about 8 per cent of their resources on cybersecurity, while the United Nations spends less than 1 per cent. The Committee inquired as to how the Office of Information and Communications Technology was actually mitigating the risk. In response, the Chief Information Technology Officer informed the Committee of the 10-point action plan to strengthen information security. The Officer noted a number of achievements under the plan to date, including:

(a) The development and deployment of a computer-based information security awareness course;

(b) The promulgation of policies and guidelines to ensure protection of the Organization's ICT data and resources;

(c) The upgrade of firewalls and email filter systems;

(d) The expansion of intrusion detection monitoring.

43. **The Committee recognizes the potential scale and impact of the threat to cybersecurity and digitalization. The Committee plans to delve more deeply into this risk over the coming year.**

C. Effectiveness, efficiency and impact of the audit activities and other functions of the Office of Internal Oversight Services

44. Under its terms of reference, the Committee has the responsibility to advise the General Assembly on aspects of internal oversight (resolution 61/275, annex, paras. 2 (c)-(e)). In undertaking to fulfil its mandate, the Committee has maintained its standard practice of meeting with the Under-Secretary-General for Internal Oversight Services and other senior OIOS officials during its sessions. The discussions have been focused on OIOS workplan and budget execution, with significant findings reported by OIOS, operational constraints (if any), post incumbency, the status of implementation by management of OIOS recommendations, including critical recommendations, strengthening investigations and funding arrangements.

45. During the current period, the Committee focused its assessment on two broad areas: (a) strategic planning, OIOS effectiveness and performance measurement; and (b) strengthening the investigation function.

Strategic planning, OIOS effectiveness and performance measurement

Guidelines and protocols

46. The Committee recalls paragraphs 57 of its report A/70/284, in which it reviewed the operational independence of OIOS, and recommended, inter alia, that OIOS develop guidelines and protocols when advising management and making statements about situations that might be subject to audit or investigation.

47. In its discussions with OIOS, the Committee was informed that the guidelines had been finalized and circulated to all OIOS staff. **While welcoming this development, the Committee recommends that OIOS not stop there, but rather ensure that these guidelines are operationalized and that there is an appropriate balance between advising management and the need to maintain operational independence.**

OIOS audit report ratings

48. In July 2011, OIOS introduced a new audit reporting format in which ratings were assigned regarding the adequacy and effectiveness of the governance, risk management and internal control system. According to OIOS, in its annual report A/67/297 (Part I), those ratings (satisfactory, partially satisfactory and unsatisfactory) were supposed to communicate clearly the level of assurance being provided on the basis of the audit work concluded, including the significance of any deficiencies identified.

49. In paragraph 30 of document A/71/295, the Committee recommended that OIOS continue to take further initiatives to reach out to stakeholders to ensure that there was a clear understanding as to how reports were rated and recommendations developed. In August 2016, the Committee was surprised to learn that OIOS had decided that it would no longer rate its audit reports and would l instead have an overall conclusion that reflected the essence of the audit reports concerned. The Committee was further informed that the decision to discontinue the rating system had been arrived at following informal consultations with some offices in the Organization.

90. As noted in paragraph 73 of document A/69/304, the ranking of audit reports was a common practice.[1] Furthermore, the Joint Inspection Unit, in its report on the state of the internal audit function in the United Nations system (JIU/REP/2016/8), noted that a number of United Nations system entities were providing some form of standardized rating on overall audit results. It also noted that having a standard rating on the overall audit reports provided a good assessment as to the degree to which the entity audited was effectively meeting its objectives in relation to the stated audit criteria and the frequency with which it should be audited. Although the Joint Inspection Unit noted some challenges, it recommended in paragraph 256 that because more United Nations system organizations were publishing their reports online, there should be a harmonized approach to ratings across the United Nations system.

91. **The Committee believes that this decision was premature and recommends that OIOS review its decision and, as a first step, seek to improve the transparency and objectivity of the ratings of reports rather than do away with them.**

Effectiveness of OIOS and performance measurement

92. According to standard 1300 of the Institute of Internal Auditors, a chief audit executive must maintain a quality assurance and improvement programme that covers every aspect of the internal audit activity. In line with the standards of the Institute, quality assurance and improvement programmes comprise two parts: an internal self-assessment for ongoing monitoring and performance improvement; and a formal external quality review conducted by an independent examiner.

93. The Committee, in paragraphs 47 and 48 of document A/69/304, stated its belief that well-designed surveys, aimed at the stakeholders and conducted frequently, could be useful tools to measure performance and improve effectiveness. The Committee recommended that OIOS establish specific goals with associated performance measures and conduct surveys for its divisions and for OIOS as a whole. Building on that, the Committee believes that there are opportunities for improvement, especially with respect to client satisfaction surveys and programme impact pathways.

External quality assessment review

94. Consistent with the standards of the Institute of Internal Auditors, the Committee was informed that a quality assessment review had been completed in May 2017 by an external firm, Baker Tilly Virchow Krause LLP. The overall opinion of Baker Tilly was that the Internal Audit Division of OIOS "generally conformed" to the standards and code of ethics of the Institute of Internal Auditors. "Generally conforms" means that an internal audit activity has a charter, policies and processes that are judged to be in conformance with the standards. The Committee notes that since 2006, the Internal Audit Division has had three such assessments (one every five years) and that this is the first time that OIOS has been rated as "generally conforms" (previously, OIOS was rated as "partially conforms"), meaning that deficiencies in practice that are judged to deviate from the standards have been noted.

95. **The Committee believes that the opinion of the external reviewer is a noteworthy and important achievement for the Internal Audit Division. Nonetheless, the Committee continues to believe that OIOS needs to make**

[1] Institute of Internal Auditors, "Practice guide: formulating and expressing internal audit opinions" (April 2009).

substantial progress in setting outcome-oriented goals and managing its performance on the basis of those goals.

56. Regarding the Inspection and Evaluation Division, the Committee notes that the most recent review was in 2012. OIOS reported that funding for an independent review of evaluation had not been approved and as such, plans for a peer review remained on hold, and the Division would explore other alternatives.

57. Lastly, with respect to the Investigations Division, the Committee notes that the most recent review was conducted in 2012 and resulted in recommendations on, inter alia, fraud prevention, the intake process, the handling of sexual exploitation and abuse and staff vacancies. All of those issues continue to hamper the effectiveness of the Division. The Committee notes that in the past, the reason given for why there was no peer review planned was that OIOS wanted to stabilize the Division first. As mentioned previously, this appears to still be the case.

58. **The Committee believes that external quality reviews are a vital component of an effective oversight service and recommends that OIOS continue to communicate the results of such assessments with all stakeholders in accordance with the standards of the Institute of Internal Auditors. In addition, the Committee recommends that OIOS expedite the external quality review process for the Inspection and Evaluation Division and the Investigations Division.**

Client satisfaction surveys

59. With respect to client satisfaction surveys, the Committee followed up on its recommendation that OIOS ensure that all the divisions of the Office, and OIOS as a whole, conduct surveys. The Committee believed that for divisions, not only should surveys be conducted annually, but where practical, especially for the Internal Audit Division and the Inspection and Evaluation Division, after each engagement. Since then, the Committee was informed that the Internal Audit Division conducted an annual survey of departments and offices to receive feedback on the assignment process. The Inspection and Evaluation Division surveyed its clients, and the Committee for Programme and Coordination, on their reports on an annual basis. In addition, OIOS noted that it regularly received feedback through meetings or letters from departments and offices and other counterparts in the Organization.

60. **The Committee notes that no surveys have been conducted for the Investigations Division or OIOS as a whole. For OIOS to improve its overall performance, the Committee recommends that the Office ensure that all divisions, and OIOS as a whole, conduct surveys.**

Programme impact pathways

61. As noted in paragraph 45 of document A/69/304, OIOS provided the key indicators (quantitative and qualitative) for each activity, output and outcome and intended to make the programme impact pathways a management tool that would integrate the work of the rest of the divisions and assist in breaking down the silos that currently existed in the Office.

62. Subsequently, the Committee was informed that OIOS continued to monitor quarterly progress on divisional programme impact pathways and that progress was included in the OIOS quarterly activities report. The Committee noted that the Inspection and Evaluation Division had made good progress in developing outcome-oriented performance measures. In addition, the Committee was informed that OIOS was assessed annually through its compact with the Secretary-General, which

included performance measures that were set at an Organizational level by the Secretary-General in the areas of management reform, financial resource management, human resource management, timely issuance of official documentation, organizational digitalization, compliance with ethical standards and rules and regulations and contribution to the broader interests of the United Nations.

63. **The Committee recommends that OIOS establish specific outcome-oriented goals and indicators that demonstrate the outcome of OIOS efforts. These performance metrics should include leveraging data visualizations to analyse trends over time, depict progress against targets, identify where actions are required and to determine the details on actions to be taken.**

Performance auditing and the 2030 Agenda for Sustainable Development

64. In paragraphs 76 to 78 of document A /71/295, the Committee looked at the progress being made by OIOS in embodying the integrated, universal and indivisible nature of the 2030 Agenda for Sustainable Development through its owns operations. At that time, OIOS informed the Committee that the Inspection and Evaluation Division had started to include reviews of the Sustainable Development Goals in its evaluations and that it had designated support for the Goals as one of the high-risk focus areas of the Organization.

65. The Board, in its current audit reports, noted, inter alia, that not all entities under review had formulated a long-term strategy on their role in the implementation of the Sustainable Development Goals. The Board also noted that for the Secretariat, there was a need to further align the strategy with the requirement to systematically address the work relating to the Goals, in order to achieve the coherence desired by the General Assembly. As a follow-up, OIOS shared its thoughts and initial efforts to assess the preparedness of the Organization to deliver on its commitment as part of the 2030 Agenda for Sustainable Development.

66. **The Committee endorses the efforts of OIOS and looks forward to updates on its progress in the coming years.**

Strengthening the investigation function

Central intake mechanism for investigations

67. The need for an efficient and effective intake system for the Secretariat has been a long-standing concern of not just this Committee but of the General Assembly, the Advisory Committee on Administrative and Budgetary Questions, the Board of Auditors, the Joint Inspection Unit and the Management Committee. In reviewing the progress made during the reporting period, the Committee recalls its previous statements made in paragraphs 63 to 69 of document A/71/295. Specifically, in paragraph 69, the Committee strongly regretted that this critical recommendation remained unimplemented. Moreover, in paragraph 15 of its recent report on the accountability system (A/71/820), the Advisory Committee stated that it looked forward to the prompt implementation of the agreed recommendations regarding the establishment of a central intake mechanism for investigations. The recommendation of the Advisory Committee was subsequently endorsed by the General Assembly in its resolution 71/283.

68. Throughout the reporting period, the Committee followed up on the status of the central intake system and was informed that OIOS had agreed to handle the central intake matters for fraud and presumptive fraud within the context of the Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat. OIOS further informed the Committee that implementing a central intake

mechanism for fraud and presumptive fraud was not expected to present a level of demand that would require additional resourcing because the reporting would be done through the OIOS Investigations Division hotline and initiation and action would be part of the Division's existing intake procedures.

69. In response to the Committee's question on why OIOS was limiting itself to being the single repository for fraud and presumptive fraud, OIOS informed the Committee that central intake issues relating to other forms of misconduct would require an agreed approach within the Organization and feasible ways of obtaining the additional resources needed for managing the systems and additional tasks associated with the mechanism. Subsequently, at its thirty-eighth session, held in April 2017, the Committee was informed that as part of the enhanced sexual exploitation and abuse reporting mechanisms, OIOS was likely to become the central repository for system-wide sexual exploitation and abuse reports and its hotline was likely to be connected to all United Nations system websites as part of the enhanced sexual exploitation and abuse reporting mechanisms.

70. The Committee followed up with OIOS one more time and was informed that the central intake mechanism was not a priority, given other pressing demands. The Committee notes, however, that in General Assembly resolution 59/287, in which the Assembly endorsed the OIOS categorization of the different types of investigations (category I and category II), the Assembly envisaged that there would be reporting of all investigation cases.

71. **The Committee does not agree with the OIOS assessment that the central intake mechanism is not a priority and finds the arguments used for delaying its full implementation unconvincing. The Committee regrets that successive recommendations of the Advisory Committee on Administrative and Budgetary Questions, the Independent Audit Advisory Committee, the Joint Inspection Unit and the Board of Auditors, decisions of the Management Committee and two General Assembly resolutions have not been enough to spur OIOS to develop a much-needed central intake mechanism. The Committee reiterates its previous recommendation that OIOS implement a central intake mechanism as expeditiously as possible without further excuses. The Committee will continue to follow up on this critical recommendation in subsequent sessions.**

Vacant posts in the Investigations Division

72. The Committee is aware that concerns have been expressed across the Organization about the difficulties and length of time of the recruitment and hiring process. Notwithstanding the system-wide concerns, the Committee has long and consistently expressed its concerns about the high number of vacancies in OIOS and notes that since 2008, the General Assembly has requested that the Secretary-General make every effort to fill those vacancies as a matter of priority, most recently in its resolution 71/7.

73. The Committee notes that as at 31 May 2017, the overall vacancy rate in the Investigations Division stood at 21.2 per cent. To put it in context, the average vacancy rate for the support account for peacekeeping operations for the period from 1 July 2015 to 30 June 2016 stood at 9.8 per cent (see A/71/726). As previously noted, one could call into question the ability of OIOS to fulfil its mandate. This has been one of the reasons for which the Committee has not been able to provide assurances of the overall resources of the Investigations Division.

74. **The Committee has long insisted to OIOS that it pursue alternative recruitment strategies to address its vacancy issues, as highlighted in paragraph 8 of document A/70/86. Some of those recruitment strategies included building talent from the ground up by hiring entry-level investigators**

who could then be trained, developed and promoted to become lead investigators; considering tapping into the retired law enforcement officer pool of the various countries in which the United Nations operates; and establishing an effective, thorough retention strategy.

75. During the review of the OIOS 2017/18 support account and the 2018-2019 regular budget planning cycles, the Committee was informed that a comprehensive workplan had been designed to address some of the long- standing issues of the Division. According to OIOS, these include ensuring that the Division recruits the best available staff from the widest available pool, improves diversity and at the same time retains those staff; continuing to build and maintain an operational focus on sexual exploitation and abuse investigations; increasing the focus on investigations of fraud and corruption; and continuously improving professionally and servicing the increasing demands on the Division to provide training inputs and build capacity in other parts of the United Nations.

76. With respect to the first initiative, the Committee was informed that a comprehensive recruitment exercise had been completed in February and March 2017, which OIOS hoped would result in filling many of the posts in an efficient and effective manner. The Committee was also informed that the exercise included innovative recruitment processes such as online testing.

77. OIOS further informed the Committee that it would take a number of actions to improve its recruitment and retention policies, including:

(a) Redefining the Division's resourcing model and planning its resource requirements accordingly;

(b) Preparing realistic and risk-based budget submissions to better support the Division's requests for more resources or the better distribution of those resources;

(c) Seeking wherever possible and appropriate, extrabudgetary funding for additional investigator posts;

(d) Reducing the vacancy rate to 5 per cent;

(e) Attaining 100 per cent compliance with the e-performance requirements while ensuring that managers properly use the e-performance system to effectively manage their staff;

(f) Ensuring that a suitably experienced and qualified staff member is temporarily recruited to the P-4 level and tasked to carry out an in-depth review of the Division's staff retention, with a view to producing an action plan that can be used to effectively tackle and improve the OIOS retention rate.

78. The Committee further followed up with OIOS on the efforts to fill its vacancies in the Investigations Division and was informed that several posts were in the pipeline to be filled. If OIOS fills those posts, it would be a step in the right direction.

79. **In the light of the above, the Committee acknowledges the efforts of OIOS and looks forward to seeing real and concrete achievements in reducing the vacancy rates. The Committee reiterates its prior recommendation that OIOS address this issue as a matter of priority and will continue to monitor it and highlight any progress in future reports.**

Reduction in the length of the time to complete an investigation

80. In paragraphs 29 and 30 of document A/72/85, the Committee stated that it had been informed that the average time to complete an investigation continued on a

downward trajectory, from a high of 23 months in 2011 to the current level of less than 12 months. OIOS also informed the Committee that maintaining the downward trend was a major emphasis for managers and the goal was that at the first day of the year, there would be no open cases dating from the year prior to the previous one. For example, on 1 January 2017, there should be no open 2015 or 2014 cases.

81. As a follow-up, the Committee was informed that reporting would now include more input from Chief Investigators and Chief Resident Investigators to account for the progress of cases under their particular portfolio. OIOS reported that the Regional Investigation Office in Entebbe, Uganda had adopted a portfolio approach to case management through a number of initiatives including improving case allocation and reassignment on the basis of recognized expertise to improve the statistics of ageing cases; streamlining investigative quality; and empowering, as well as holding accountable, mid-level management with a more hands-on approach to monitoring the progression of cases.

82. Furthermore, the Committee was informed that all of the 2015 cases had been adequately handled and the majority of 2016 cases over six months were at the reporting stage. **The Committee welcomes the progress thus achieved and calls upon OIOS to maintain the momentum so as to achieve the target of reducing the average length of time to complete an investigation to six months.**

D. Financial reporting

83. During the reporting period, the Committee engaged in discussions with the Board of Auditors, the Under-Secretary-General for Management, the Controller and the Project Director of Umoja on a number of issues relating to financial reporting. The issues discussed included:

(a) Status of the benefits realization plans for the International Public Sector Accounting Standards (IPSAS) and Umoja;

(b) Implementation of Umoja;

(c) Internal control, especially as it pertains to fraud prevention and detection.

Implementation of the International Public Sector Accounting Standards

84. With respect to the implementation of IPSAS, the Committee continued to be routinely apprised of the project status and has noted the continued issuance of unqualified audit opinions by the Board of Auditors. The IPSAS-compliant financial statements for 2015 and the 2016 financial statements for the peacekeeping operations received unqualified audit opinions.

85. The Committee was also informed that the project would close by December 2017 and the required functions would be mainstreamed into the regular and peacekeeping budgets. Furthermore, the Committee was informed that the tenth and final IPSAS report would be issued by September 2017. Consequently, the Controller informed the Committee of the lessons learned from the implementation of IPSAS, including: (a) It has been one of the most successful change management efforts of the United Nations in recent years; (b) Strong project governance, management and oversight are key to success; (c) The establishment of local implementation teams and their membership on the IPSAS Steering Committee ensured harmonized organization-wide implementation; (d) A clear benefits realization plan and senior management engagement (through compacts) are essential; and (e) A longer-term permanent structure and resource commitment by Member States are necessary to support longer-term IPSAS compliance.

86. **The Committee commends the Secretariat for having attained the milestone of bringing the accounting standards of the Organization into line with international standards. The Committee also commends the Secretariat for articulating the lessons learned that could be a basis for successful implementation of other similar projects. However, the Committee notes that there appear to be no apparent challenges expressed among the lessons learned and recommends that such experiences and challenges also be articulated.**

Implementation of Umoja

87. With respect to Umoja, the Committee held several sessions on the progress made to date, including:

(a) In July 2016, the service delivery (cost recovery) to peacekeeping and special political missions, together with the first part of the International Civil Service Commission (ICSC) package, was rolled out. The final solution with respect to the ICSC package would occur in September 2017;

(b) Cluster 5 (human resource interface to national staff and individual uniformed personnel) was rolled out and the process went smoothly owing to the lessons learned from the previous roll-outs;

(c) In January and February 2017 respectively, ICSC phase 2 (unified salary scale) and financial statements (Volume I, United Nations Environment Programme, United Nations Human Settlements Programme, United Nations Office on Drugs and Crime, International Trade Centre and the Tribunals) were rolled out.

88. With respect to roll-outs in 2018, the Committee was informed that strategic planning and performance management (previously referred to as budget formulation), supply chain management (phases 2 and 3), fundraising and donor relationship management, implementing partners, force planning and an SAP software upgrade would be rolled out.

89. During the deliberations, the Committee inquired whether Umoja had a provision for an audit module. In response, management informed the Committee that there was no specific audit module, but that it could work with the auditors to address those concerns if necessary.

90. Subsequently, during its discussion with OIOS, the Committee was informed that there was a governance, risk and compliance module and that OIOS was maintaining liaison with management to incorporate it within Umoja.

91. As noted in previous reports, the implementation of Umoja provides great opportunities for management and other decision makers to gain insight into operations and costs across the Organization. The key, as this Committee and others have long noted, will be to deliver on the promised benefits realization. In that regard, the Committee has long urged OIOS to develop strategies on how it will use the data generated from Umoja in its audit work. This will require OIOS to develop and/or obtain additional analytic skills in the use of data mining, root cause analysis, data visualization, and systems and statistical analysis.

92. **In the light of the above, the Committee believes that given the wealth of valuable data that Umoja is expected to provide, and in the light of the digitalized environment under which OIOS is expected to operate, it is crucial that there be a proper audit module. The Committee therefore recommends that management work to put in place an audit module that takes into account the needs of OIOS before the finalization of the design phase of Umoja. The Committee believes that having a proper audit module would strengthen the internal controls of the Organization as a whole.**

93. **The Committee also welcomes the progress achieved in implementing Umoja. The Committee reiterates its previous observation that as Umoja moves into the stabilization phase, the key issues now centre on ensuring that the Organization consistently develops the capacity to manage Umoja and use its outputs to make decisions. This requires the Secretariat to ensure that managers and staff have the needed knowledge and capacities, through training, knowledge-sharing and other means. Such capacity development is vital to achieving the reasonable demands of the Member States for the benefits realization of Umoja, given the cost, effort and time that was needed to implement the project. Above all, there is a need to ensure that the oversight bodies, in particular OIOS, have the skill set to perform their duties within the digitalized environment.**

94. **Furthermore, the Committee believes that recent and ongoing work of national audit offices may be helpful to OIOS in considering how best to use the data products from Umoja to streamline and better target its audit work.**

IPSAS and Umoja benefits realization

95. With respect to IPSAS, the Committee was informed that work would be guided by the General Assembly's endorsement of the recommendations of the Advisory Committee on Administrative and Budgetary Questions on the ninth progress report on the adoption of IPSAS by the United Nations (A/71/226). In paragraph 6 of its related report (A/71/542), the Advisory Committee stated that it was of the view that reporting of benefits should include concrete examples supported by quantitative measurements. The Advisory Committee also noted that the information should make a clear distinction as to improvements attributable to the Umoja-related system enhancements and those attributable to the adoption of IPSAS. As such, the Controller noted that trends in financial statements (both peacekeeping and non-peacekeeping) would be analysed to identify changes and improvements brought by IPSAS (qualitative and quantitative) and that the related results would be included in the most recent progress report.

96. With respect to Umoja benefits realization, the Committee was informed of both qualitative and quantitative benefits of Umoja. This benefits case would be based on a common methodology and any updates would be included in the next Umoja progress report. The qualitative benefits included:

(a) More informed decisions owing to real-time visibility of global data and more analytical information;

(b) Greater potential for improved service delivery;

(c) More efficient processes through the elimination of redundant tasks and better automation.

97. Regarding the quantitative benefits of Umoja, the Committee was informed that the total annual benefits by 2021 would amount to $205.5 million, comprising $85 million from the regular budget and $120.5 million from the peacekeeping budget. Furthermore, the Committee was informed that management was analysing the quantitative aspects of the benefits realization and that the Board of Auditors was in the process of validating the methodology used.

98. **The Committee notes these developments and will follow up on these matters in its subsequent sessions.**

Internal control system and anti-fraud policy

Statement of internal control

99. In paragraph 80 of document A/70/284, the Committee stated that it had been informed that the statement of internal control would be appended to the financial statements in 2018. The Committee was also informed that the Committee of Sponsoring Organizations of the Treadway Commission integrated internal control framework would serve as the conceptual framework for the statement of internal control. Since then, the Committee has received regular updates on progress made.

100. As noted in its subsequent report (A/71/295), the Committee was informed that a self-assessment checklist and assurance statement would be developed and a pilot phase would be undertaken in the fall of 2016 and early 2017. As a follow-up, the Committee was informed by the Controller that an Assurance and Monitoring Unit had been established in the Accounts Division of the Office of Programme Planning, Budget and Accounts. The Unit is responsible for undertaking activities aimed at proving reasonable assurances in respect of the reliability of data flowing into financial statements and financial records. The Unit also regularly monitors transactions in Umoja, analyses potential for error, detects irregularities and ensures appropriate corrective actions by transaction owners or other stakeholders.

101. Furthermore, the Controller informed the Committee that the Office of Programme Planning, Budget and Accounts was developing self-assessment checklists and assurance statements for 17 internal control principles, based on the "Committee of Sponsoring Organizations of the Treadway Commission cube". As a result, after consultations with the Department of Management, OIOS, the Office of Legal Affairs and the Department of Field Support, select peacekeeping entities would test the assurance tools. With respect to non-peacekeeping operations, the Committee was informed that appending the statement of internal control to those financial statements was slated for 2018 and would be subject to a number of issues such as the reforms under way and the evaluation of technical options.

102. **The statement of internal control is an important accountability tool through which an organization provides assurance that it is appropriately managing and controlling the resources under its responsibility. Consistent with its role, the Committee plans to delve deeper into reviewing the Organization's statement of internal control to ensure that the important elements, such as scope of responsibility, purpose of the system of internal control, capacity to handle risk, the risk and control framework and the review of the effectiveness of the same, are in place.**

Fraud risk assessment

103. With respect to fraud, the Committee's comments are guided by its previous observations and recommendations and those of the Board of Auditors, the Joint Inspection Unit, the Advisory Committee on Administrative and Budgetary Questions and the General Assembly. The Committee notes paragraphs 7 and 8 of General Assembly resolution 71/283, in which the Assembly requested the Secretary-General to conduct a comprehensive fraud risk assessment by mid-2017 and to update the legal instruments for engaging third parties.

104. In response, the Committee was informed that a Fraud Risk Assessment Advisory Committee had been created, co-chaired by the Office of the Under-Secretary-General for Management and the Office of Programme Planning, Budget and Accounts. According to management, the assessment will:

(a) Review the data on fraud events and oversight reports;

(b) Develop tailored fraud taxonomy with prioritization of risks based on surveys, interviews and focus groups;

(c) Define the corporate risk owners who will design and implement detailed risk treatment action plans to strengthen the response of the Organization;

(d) Approve the reports.

105. Furthermore, the Controller emphasized to the Committee that principle No. 8 of the 2013 Committee of Sponsoring Organizations of the Treadway Commission integrated internal control framework requires an organization to consider the potential for fraud in assessing risks for the achievements of objectives. Therefore, the process leading to the development of the statement of internal control would encompass an annual self-assessment of the potential for fraud in each entity and related assurances and attestations.

106. During discussions with OIOS, and as previously mentioned in paragraph 65 of the present report, tackling fraud and corruption was given a renewed focus by the Office. The Office's approach to fraud was centred on strengthened collaboration among its divisions. The Committee was informed that OIOS had developed a Fraud Audit and Investigation Manual, which would serve as a guide to formalize and develop the relationship between audit and investigation.

107. OIOS also emphasized that it was working with the Department of Management in developing the Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat. As a result, OIOS indicated that it had agreed to be the central intake mechanism for fraud reporting and corruption. Furthermore, OIOS noted that the Internal Audit Division and the Investigations Division would focus on three discrete themes in fraud and corruption and that each main office would be allocated one theme: medical insurance fraud, at Headquarters; education grant fraud, at Vienna; and fraud by implementing partners, in Entebbe, Uganda.

108. Furthermore, OIOS informed the Committee that it was supporting the Ethics Office in the development of a new, compulsory online training programme on fraud and corruption and that it was developing awareness events highlighting fraud and corruption.

109. **While commending OIOS for its renewed effort in tackling fraud and corruption, the Committee believes that without an effective central intake system, the concerns raised by several oversight bodies regarding the underreporting of fraud will not be addressed.**

E. Coordination among United Nations oversight bodies

110. During the reporting period, in addition to its regularly scheduled meetings with OIOS, the Committee met with other oversight bodies, such as the Joint Inspection Unit and the Board of Auditors, including the Audit Operations Committee. The dialogue allowed for the sharing of perspectives on matters of mutual concern and provided a useful opportunity for cooperation among United Nations oversight bodies.

111. Within its mandate, the Committee sought comments from the three oversight bodies, all of which underscored the coordination mechanisms that existed among the three bodies, including the sharing of their programmes of work. In separate meetings with the Board of Auditors, the Joint Inspection Unit and OIOS, the Committee noted the positive relationship fostered through the tripartite coordination meetings of the oversight bodies and the sharing of workplans in an

effort to avoid duplication. The Committee believes that such coordination provides a valuable platform for additional opportunities.

112. Furthermore, in November 2016, the Committee hosted a meeting of representatives of United Nations system oversight committees. Twenty-six representatives from 19 oversight committees from organizations within the United Nations Secretariat, the United Nations funds and programmes and specialized agencies and the International Monetary Fund attended the meeting.

113. The meeting was held within the context of the Joint Inspection Unit report on the audit function in the United Nations system (A/66/73), in which it was noted that audit committees worked best and could better contribute to the governance process when they maintained a flowing and objective relationship with each other. Discussions with various oversight committees indicated strong support for holding an annual meeting of all the oversight committees.

114. The main objective of the meeting was to exchange information on common challenges and good practices in the execution of the work of the oversight committees and to identify any broader issues of concern that might need to be brought to the attention of governing bodies, management, the oversight community or other interested parties. The participants discussed current and emerging risks, including in relation to fraud and corruption; cybersecurity and digital transformation; and the maturity of enterprise risk management approaches across the United Nations system. The participants also discussed their committees' mandates and relationships with the wider oversight community and how they might be improved. The meeting concluded with the participants agreeing that the ability to share information and insights was invaluable and that regular meetings of oversight committees should continue.

F. Cooperation and access

115. The Committee reports that it received good cooperation from OIOS and senior management in the Secretariat, including the Department of Management, in discharging its responsibilities. The Committee was given appropriate access to staff, documents and information that it needed in order to undertake its work. The Committee is pleased to report that it continued to work closely with the Joint Inspection Unit and the Board of Auditors. The Committee looks forward to continued cooperation with the entities with which it interacts in order to discharge its responsibilities, as set out in its terms of reference, in a timely manner.

IV. Conclusion

116. In the context of its terms of reference, the Independent Audit Advisory Committee presents the preceding observations, comments and recommendations, as contained in paragraphs 17, 20, 23, 27, 30, 31, 33, 39, 43, 47, 51, 55, 58, 60, 63, 66, 71, 71, 74, 79, 82, 86, 92, 93, 94, 98, 102 and 109 for the consideration of the General Assembly.

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Report of the Special Committee to Investigate Israeli Practices Affecting the Human Rights of the Palestinian People and Other Arabs of the Occupied Territories

Work of the Special Committee to Investigate Israeli Practices Affecting the Human Rights of the Palestinian People and Other Arabs of the Occupied Territories

Report by the Secretary-General

Summary

The present report, submitted pursuant to General Assembly resolution 71/95, concerns the provision of the facilities and staff necessary to support the work of the Special Committee to Investigate Israeli Practices Affecting the Human Rights of the Palestinian People and Other Arabs of the Occupied Territories.

* A/72/150.

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1. The present report is submitted pursuant to General Assembly resolution 71/95. In line with paragraph 8 of that resolution, the Secretariat continued to provide the facilities and staff necessary to support the work of the Special Committee to Investigate Israeli Practices Affecting the Human Rights of the Palestinian People and Other Arabs of the Occupied Territories. In 2017, the Committee was represented by the following three members: the Permanent Representative of Malaysia to the United Nations in New York and the Acting Chair of the Committee, Shahrul Ikram Yaakob; the Deputy Permanent Representative of Sri Lanka to the United Nations in New York, Sabarullah Khan; and the Permanent Representative of Senegal to the United Nations Office at Geneva, Coly Seck.

2. The Special Committee was directly supported in the fulfilment of its mandate by the Office of the United Nations High Commissioner for Human Rights (OHCHR), the Department of Safety and Security of the Secretariat, the Department of Public Information of the Secretariat and the office of the United Nations Resident Coordinator in Jordan. In addition, the Committee engaged with OHCHR in the Occupied Palestinian Territory, the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), the United Nations Children's Fund and the Office for the Coordination of Humanitarian Affairs.

3. Much of the support was related to the annual investigative mission to the region of the Special Committee. Owing to the persistent absence of cooperation of the authorities of Israel with the Committee, the latter was not able to visit the occupied territories. The Committee, therefore, held meetings in Amman from 12 to 14 July 2017.[1] In addition, it held consultations with several Member States on 20 and 21 March 2017 in Geneva. During its mission to Amman, the Committee collected testimony and information from victims, witnesses, officials and civil society representatives working on documenting and preventing violations of human rights and international humanitarian law in the occupied territories. Those testimonies and briefings are recorded in the report of the Committee to the General Assembly at its seventy-second session.

4. The Department of Public Information provided a wide array of communications support to the Special Committee, including through the website on the International Day of Solidarity with the Palestinian People, which is in all six official United Nations languages and is updated with the latest background information, messages, events, videos, documents and related links. The Department also promoted the observance on the United Nations home page, ensuring high-profile exposure of the topic. A total of 12 press releases in English and French were also issued on the work of the Special Political and Decolonization Committee (Fourth Committee) of the General Assembly.

5. The multilingual, multimedia news platforms of the Department of Public Information regularly covered the work and the areas of focus of the Special Committee through traditional media and social media platforms in eight languages. The coverage was frequently picked up by news aggregators and was also made available to a network of more than 900 radio and television broadcast partners. Information about the work of the Committee was also shared with journalists accredited at United Nations Headquarters.

6. News coverage by the Department of Public Information included relevant events, statements and developments in the context of the work of the Special Committee, UNRWA, the Office for the Coordination of Humanitarian Affairs, the

[1] The Permanent Representative of Senegal to the United Nations office at Geneva was unable to attend this mission, and was represented by the Chargé d'affaires of the Permanent Mission, Serigne Dieye.

Human Rights Council and other United Nations bodies. The work and statements of the Secretary-General and other senior officials of the Organization were also featured, including those of the United Nations High Commissioner for Human Rights, the United Nations Special Coordinator for the Middle East Peace Process, the United Nations Coordinator for Humanitarian Aid and Development Activities in the Occupied Palestinian Territory and the Special Rapporteur of the Human Rights Council on the situation of human rights in the Palestinian territories occupied since 1967.

7. In addition, the Department of Public Information interviewed senior United Nations officials and others to spotlight the human rights of the Palestinian people. Feature interviews by the Arabic-language news team of the Department included that of a member of the Executive Committee of the Palestine Liberation Organization, Hanan Ashrawi, and a Palestinian movie director, Raed Andoni, whose film *Ghost Hunting* was screened at United Nations Headquarters in April 2017, on the occasion of Palestinian Prisoners' Day, organized by the Committee on the Exercise of the Inalienable Rights of the Palestinian People.